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The ECONOMIC DIGEST

CONTENTS

Seen in Perspective.....	<i>Graeme Dorrance</i>	385
America On The Eve.....	<i>President Truman</i>	388
East of the Iron Curtain.....	<i>Times Review of Industry</i>	393
Russian Budget for 1950.....	<i>Pravda and I.F.N.</i>	397
Plans for West European Integration.....	<i>The Statist</i>	398
European Payments Union.....	<i>Per Jacobsson</i>	400
Unequal Tax Burdens in Britain.....	<i>Norman Crump</i>	402
America Looks for Anti-Inflationary Taxes.....	<i>New York Times</i>	404
Cartel Registration in Sweden.....	<i>The Statist</i>	405
Norway's "White Coal".....	<i>Paul M. Strande</i>	406
More Power for Australia.....	<i>Times Review of Industry</i>	407
Housing Reviewed in Scotland.....	<i>Local Govt. Finance</i>	408
British Economic Policy.....	<i>Hugh Gaitskell</i>	410
Full Employment Discussion.....	<i>Symposium</i>	413
British and American Productivity.....	<i>Ian Mikardo</i>	416
Price Subsidies.....	<i>Australian Public Affairs</i>	418
Thumbs Down for Price Support.....	<i>City Bank of New York</i>	420
Economic Needs of Asia.....	<i>United Nations</i>	422
Bigger Business Defended.....	<i>Charles Sawyer</i>	425
Sterling Assets of Colonies.....	<i>H.M.S.O.</i>	427
Australia's Sterling Assets.....	<i>Bank of Australasia</i>	427
Book Notices.....		429

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The ECONOMIC DIGEST

SEPTEMBER, 1950

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Joint Editors: Sir Geoffrey Bracken, K.C.I.E., C.S.I.,

H. S. Goodwin

SEEN IN PERSPECTIVE

Practical Problems of Atlantic Union

by Graeme Dorrance

THE basic premise behind the argument for the development of an Atlantic Union is the need to provide a bulwark of defence against Communism. This means that active steps must be taken to build up our military resources and perhaps to invest resources in areas threatened by the advance of Communism. The allocation of these costs to the participants will require careful negotiation.

There is also a second problem; financial relations within this grand alliance will, to a large extent, incorporate the major post-war economic difficulty—the dollar problem. In 1949 the rest of the world required a little over 5,000 million dollars to cover its dollar requirements. The countries of Western Europe and their dependencies plus Canada accounted for approximately three-quarters of this world dollar shortage.

On the question of defence we are now well on the way towards a family squabble based on misleading information. Considerable prominence has been given to estimates of the direct defence expenditure of certain countries. We, in Britain, have been inclined to look with a sense of pride on the fact that in 1949 we devoted approximately 7.5 per cent.

of our national income to defence compared with about 6 per cent. for the United States and smaller amounts for all the other Atlantic Pact countries (except the Netherlands: 6 per cent).

Such comparisons are only valid if one believes that the Atlantic Union can achieve its aims by force alone. The United States has extended E.R.P. and other assistance, as part of an overall programme of defence of Western ideals. Therefore any comparison must include such expenditures if it is to be valid as a starting point for discussion. We then find that in 1949 the United States spent about 19,000 million dollars or 8.5 per cent. of its national income on "defence", while Britain spent £800 million or 8.0 per cent. of its income on defence, aid to Europe and repayment of sterling balances. After making adjustments for overseas assistance it appears probable that during the next 12 months the United Kingdom and the United States will both spend approximately 11 per cent. of their national incomes on "defence" in the widest sense.

Sharing fiscal burdens among its constituent areas has not been fairly achieved by any existing federation to its complete satisfaction. It is obviously a more difficult problem

in a loose, international alliance.

When trying to apportion a fair distribution of the "defence" burden within the Atlantic Union one quickly runs into apparently insoluble problems.

It is at once clear that a rich country like the United States could well be called on to devote a considerably larger proportion of its national income to defence than would be appropriate for a poor country like India. Should we then think of an equal proportion of total income minus subsistence requirements? The idea is attractive, but how does one define "subsistence" in this context? For example, how does one allocate the burden between the rich U.S.A. and the not-so-rich countries like the United Kingdom? In practice comparisons of minute percentage differences only lead to unseemly bickerings.

Dollar Shortage Problem

Even so it does not appear unreasonable to suggest that countries like Canada might increase the scale of their efforts at the present moment. This Dominion's spending of only 3 per cent. of its national income on defence during 1949 appears to savour slightly of "letting George do it." One could also suggest that so long as Italy has more than 10 per cent. of its population unemployed it could well attempt to increase defence production beyond the 1949 level of 4 per cent. of its national product.

The second problem, that of the "dollar shortage", also foreshadows dissension. We must all expand our armament expenditure in the next few years. To do this with unemployment rates ranging from less than 1 per cent. in France to 2 per cent. in the Netherlands (leaving out the high-level countries: Denmark, 5 per cent.; Ireland, 6 per cent.; Belgium 8 per cent.; Italy, 13 per cent.) will mean that

manpower and resources will have to be withdrawn from other fields. We cannot go on expanding personal consumption as we have done for the past five years. Some of the post-war reconstruction programmes will have to be slowed down.

Yet if we are preparing for a long and sustained effort, it may be fully as valuable to expand our industrial capacity as to increase the size of our fighting forces.

Question of Exports

Can we reduce the present level of exports? Some reductions may have to be made in the level of U.K. exports to the non-dollar areas, although this is a field in which one must move warily. Suppose for instance, we cut off *all* our unrequited exports. The result would be the unavoidable postponement of one or another of the overseas capital development schemes and the consequent strengthening of Communist forces in backward areas.

Nevertheless some reassessment will have to be undertaken. Even our exports to the dollar markets may have to be examined. Only a very rash hedonist would be prepared to defend to the limit a policy which directs the employment of skilled labour in the production of whisky for export to North America so that we can earn dollars to pay for Hollywood films. In any event, policy decisions are likely to make "the dollar problem" more difficult in the immediate future.

Rearmament One Answer

It should be noted that the immediate effect of American rearmament eases the sterling area's dollar shortage—but will not similarly ease continental Europe's problem. In 1949 her overall dollar deficit was four times the size of the sterling area's.

If this problem is frankly recognised and tackled now, some rationalization schemes may ease the shortage. For instance, if Western defence is planned on an overall basis some specialization of production may enable Europe to trade specific armament goods for what it needs from North America. However the relative sizes of American and European potential, limits the relief which can thus be found. It must be remembered that, at current rates of exchange, the sum of United States and Canadian national incomes is approximately treble the comparable sum for all the other Atlantic Pact countries.

Undoubtedly developments along the lines of Lend-lease, Marshall Aid, the Mutual Defence Assistance Programme in the United States and the Canadian War-time Mutual Aid Programme are called for. Unfortunately there appears to be no alternative to further grants from the Western Hemisphere. Once again developments seem to make it inevitable that the return to true equilibrium must be postponed.

But it is not enough for Europe to sit back and expect the United States to finance all our expansion. If an Atlantic Community is worth developing it is worth paying for in real terms. The current defence programme will cost resources which we must ourselves

Last month Mr. Graeme Dorrance discussed the merits of European and Atlantic Union, and came down in favour of Atlantic Union. In the present article Mr. Dorrance examines the practical problems involved. His conclusion is that Europe must expand her production of armaments without waiting for the United States to find the dollars.

find. American munitions are useless unless integrated with European production and European bases. We must forthwith seriously turn our thoughts to the development of these complementary resources.

Such is the nature of the questions which an Atlantic community must face. To see the problems clearly is the first step towards finding the answers. If as yet those answers are far from clear, at least this may be said: it is too late in the day to try to do the job with one eye over our shoulders making sure that "the Yanks are pulling their weight." It is particularly unwise to do this when they are slightly ahead of us.

FRENCH AMBASSADOR ON DEFENCE SPENDING

In terms of budget, Britain's expenditure for 1950/51 amounts to £781 million plus the £100 million requested by Mr. Shinwell. France's expenditure for 1950 is £420 million plus the £80 million requested by M. Plevin. Costs, however, are not the only basis for comparison of defence efforts. In 1950, personnel serving in British Forces amounts to 718,000 (including 26,000 female auxiliaries). In France, the Forces are 685,000. Spending for the army is reduced in France by comparison with Britain by the fact that, owing to an accepted tradition, conscripts get practically no pay. Therefore, I believe that British and French efforts in the defence field are quite comparable when due allowance is made for the difference of wealth and resources between the two nations.

Bertrand De La Salle, Ambassade de France, London, S.W.1. From Tribune, London, August 18, 1950

America On the Eve

By President Henry Truman

In his mid-year economic report to Congress the President surveys America's resources and the means by which vastly increased revenue can be raised. He concludes that the country's economic position is strong, although threatened by considerable inflationary pressure

STRONG evidence of the power of the United States economy is contained in the record of its performance during the first half of this year. Viewed in its entirety, the economy at mid-year 1950 had made a remarkable recovery from the moderate recession of 1949. New records of peace-time production, employment, and real incomes were reached. Reasonable balance of prices had been achieved. The outlook in mid-June was for stability and new growth on a sound basis.

Toward the end of June, however, the Korean outbreak brought rapid changes. The necessity for large new public outlays began to have both economic and psychological impacts. Many important prices commenced to rise rapidly. New private and public policies are needed quickly to deal with these new developments.

The productive strength of the American economy is basic to our domestic well-being and our international security. Under current conditions, we face a two-fold task: first, to get as much total production as we can; and second, to emphasize the right kind of production and the best utilization of the product.

The more successful we are in this two-fold task, the less difficult it will be to meet promptly the increased military demand for goods and services, both for ourselves and for the free

nations associated with us—without impairing the civilian economy or weakening the industrial potential upon which our military potential depends.

Increased production of the right kind of goods will lessen inflationary strains. If we allow inflation to develop by failing to take adequate measures, it will cost more to meet our military requirements, and it will be more difficult to maintain the smooth functioning of the economic machine and the high civilian efficiency and morale which are foundations of our military strength.

In the emergency created by World War II, we were forced to enlarge our military strength until it absorbed almost one-half of the output of the economy. This built up such extensive inflationary pressures as to require all-inclusive controls. In the more limited current situation, we should be able with more limited measures to meet our military requirements and at the same time to avoid inflation.

This does not mean that we can meet our enlarged international obligations without some sacrifice of domestic consumption. Some sacrifice is called for, and I am confident that the American people are ready to do their part. But in determining sound policy at this time, we should measure the requirements of the present world situation against the

recent growth and productive power of our economy, and its capacity for further growth.

Our total output of goods and services, measured in constant dollars (1949 price level), was about 151,000 million in 1929. By 1939, it was about 160,000 million. In 1946, the first full year after the war, it was about 248,000 million. Two years later, in 1948, it was about 256,000 million. Despite the moderate recession in 1949, our total output is now running at an annual rate of about 267,000 million dollars. This rate is about 13,000 million dollars higher than a year ago, and about 8,000 million higher than in the peak quarter of 1948. It is more than 100,000 million dollars higher than in 1939. All of these figures are stated in terms of the 1949 price level, and therefore reflect real changes.

Rising Industrial Production

The index of industrial production was 100 in 1929, and about the same in 1939. In 1946, the first full year after the war, the index was 170. At the middle of the year, it had risen to 199, higher than ever before in peacetime and 23 points higher than the average for last year. Civilian employment averaged 47,500,000 in 1929, and 45,500,000 in 1939. It averaged 59,500,000 in 1948, declined to 58,500,000 in 1949, and mounted to almost 61,500,000 in June 1950.

An even more vivid illustration of the expanding strength of our economy is afforded by these specific items:

Steel production in 1929 was 63 million tons, and in 1939 it was 53 million. During the war year 1944, it rose to a peak of 90 million tons. The annual rate at the end of June, 1950 was more than 100 million, an all-time record.

Aluminium production was 114,000 tons in 1929, and 164,000

in 1939. The current annual rate is 743,000, which is about 10 per cent. higher than a year ago or two years ago, and almost as high as the record output of 776,000 in the war year 1944.

Electric Power

Electric power output rose from 92,000 million kilowatt hours in 1929 to 128,000 million in 1939, and to 228,000 in the war year 1944. It has expanded each year since the war, and now stands at an annual rate of 317,000 million.

We produced about 1,000 million barrels of crude petroleum in 1929, and more than 1,250 million in 1939. This rose to more than 1,600 million in the war year 1944. The figure now is well above that, at an annual rate of about 1,900 million.

The index of food production, which was 97 in 1929 and 106 in 1939, rose to 140 during the war, when we were feeding millions all over the world. It now stands at about 139.

These indications of our growing resources are fully adjusted for increases in population. In many cases, of course, our total output is a more important measure of our economic strength than output per capita. And standards of living are very much higher than before the war. For example, civilian food consumption per capita in 1950 is estimated at about 11 per cent. above the 1935-39 average; and industrial production is about 65 per cent. greater on a per capita basis.

P. M. H.

Still another measure of our growing productive power is output per man-hour. Using 1929 as the base year, it is estimated that the index of total output per man-hour for the American

"We face a two-fold task : first to get as much total production as we can ; and second, to emphasize the right kind of production and the best utilisation of the product. The more successful we are in this task, the less difficult it will be to meet promptly the increased military demand for goods and services without impairing the civilian economy or weakening the industrial potential . . ."

PRESIDENT TRUMAN

economy as a whole was about 125 in 1939. During and since the war, there have been great gains in productivity, and for the first half of 1950 the best preliminary estimates indicate that the index has risen above 165.

Agriculture as well as industry has participated in these productivity gains. Farm output per worker has been about 43 per cent. higher during the last four years than in the four years immediately prior to World War II.

These record levels of production and productivity make us better able to perform the new and harder tasks ahead. It is sometimes said that, since there was a "slack" in the economy when World War II started which does not exist now, we could then undertake a greater expansion more easily than we can now carry forward a smaller expansion.

It is true that we are now utilising to the limit some plant capacities and some other facilities for production and distribution. Consequently, the increasing military demand will necessitate measures to restrict less essential uses in order to maintain military supply ; and measures in some cases are needed to increase the total

supply of vital materials.

It is also true that any given amount of increased military outlays and procurement will produce inflationary pressures much more rapidly than if existing capacities and facilities were not already being so fully utilised. But clearly, our economy is far more able to satisfy the additional requirements now to be imposed upon it than if it had not already risen to such high levels of fundamental productive capacity.

For example, an economy is stronger for whatever tasks lie ahead, when it is producing more than 100 million tons of steel a year, although this involves full utilisation of its capacity, than it would be if it were producing 85 million tons of steel but had unused capacity of 5 million tons. It is easier to divert part of the steel which is now being produced to new purposes, than it would be to build the plants required to lift capacity from 90 million tons to 100 million.

Room for Improvement

Likewise, an economy which is employing 61,500,000 civilian workers, with less than 3,500,000 unemployed, is stronger for whatever task may lie ahead than if it were employing 58 million workers and had about 7 million unemployed. It is easier to divert the production of skilled workers to new purposes, or even to put them on new jobs, than it would be to train millions of workers whose skills had been lost through years of enforced idleness. These examples apply to other sectors of the economy as well.

Furthermore, while the business recovery has been pronounced since a year ago, there is still some slack in the economy as a whole. We have not yet reached maximum employment and production. Even with existing capacities, it is estimated that total

industrial output could now be increased by some 5 per cent. or possibly more, and this would lift the index of industrial production from 199 to nearly 210.

Unemployment, which now stands at less than 3,500,000 could be reduced by 1 million to 2 million—that is, to a level of about 2,500,000 to 1,500,000—without serious strain upon the labour force. There were times during the last war when civilian unemployment was less than 1 million.

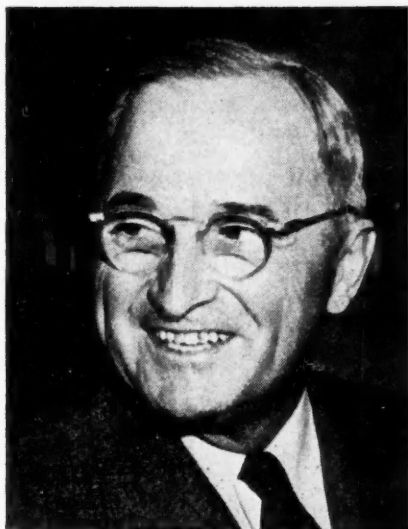
There are also many part-time workers available for full-time jobs. Even without an unusual increase in the labour force or in hours of work, the present material and human resources of our economy are sufficient to lift total production by the end of this year to an annual rate about 8 to 10 billion dollars above the current rate. This would result in an annual output rate, at the end of this year, of well over 275,000 million dollars (measured in current prices).

Most important of all, even when we shall have taken up the present slack in the economy, we shall not have reached the longer-range limits of our total productive potential. National output per man-hour has in the long run increased about 2 to 2½ per cent. a year, and total output, which reflects also population growth, has increased over 3 per cent. a year.

Inflationary Prices

With the enormous improvements in plant and technology already accomplished, this rate of increase should be equalled or even exceeded in the years immediately ahead. This means that with a maximum employment and production achieved and then maintained in a growing economy, it will be well within our reach to increase our total annual output in real terms by 9 to 10 billion dollars in 1951 and correspondingly in succeeding years.

During the first half of this year,



before the Korean situation, wholesale price increases were generally moderate.

But there were sharp increases in the prices of lumber, copper, zinc, scrap steel and rubber. For example, since January, the price of copper has risen about 22 per cent. and the price of zinc about 50 per cent.

During the past four weeks rubber prices have risen about 45 per cent., tin about 17 per cent., print cloth about 22 per cent., and wool tops about 10 per cent. The daily spot index of 28 commodities has risen from a level of 264 on June 23, prior to the Korean outbreak, to 290.7 on July 20 a rise of 10 per cent. in four weeks.

In the interest of the military effort, action is needed now to direct the use of some commodities essential to the national defence, and in some cases to increase the output. This is necessary also to reduce inflationary pressures. Thus we are faced with an over-all economic situation which is essentially strong although threatened by considerable general inflationary pressure, coupled with intense and rising pressures in limited areas.

(For Mr. Truman's legislative proposals see p.392)

Mr. TRUMAN'S PROPOSALS

(A) All excise tax reductions and other revenue-losing provisions should be eliminated, but the loop-hold closing, the dividend withholding and the life insurance company provisions should be retained ;

(B) The revised corporate income tax rate structure contained in the pending bill should be adjusted to provide an increase in the normal tax rate from 21 to 25 per cent.; taking into account the 20 per cent. surtax, this would increase the tax rate on corporate income in excess of 25,000 dollars to 45 per cent., beginning with the year 1950.

(C) Individual income tax rates should be increased to the "tentative" levels adopted in 1945, by removing the reductions from those levels made in 1945 and 1948. This increase should be effective beginning with one-quarter of 1950 incomes, and would require an increase in the withholding rate from 15 to 18 per cent., beginning with the last quarter of 1950.

(D) As a safeguard against in-

flationary buying, and to reduce the demand for scarce materials, authority should be granted to regulate consumer credit, to restrain mortgage credit, particularly for housing, and to limit speculation in commodities.

(E) In view of the mounting shortage of some commodities required for the national defence, authority should be granted for priorities and allocations for these commodities, for the limitation of non-essential uses, for the prevention of inventory hoarding, and for the requisitioning of supplies.

(F) To expedite the production of certain commodities needed for the military and for adequate stockpiling, and to guard against a dangerous shortage of these materials in the event of any emergency calling for further expansion of our military efforts, a programme should be adopted which provides loans and incentives for the expansion of capacity, for technological developments, and for the production of essential supplies.

U.S. INVESTMENT ABROAD

The net international creditor position of the United States increased about 1,000 million dollars between 1948 and 1949, according to preliminary estimates by the U.S. Department of Commerce. U.S. investments abroad rose 1,500 million dollars during the year, while foreign assets in the United States increased by 500 million dollars. Of the total increase in U.S. investment, private investors accounted for 900 million dollars and the U.S. Government for 600 million dollars. Direct investments in foreign branches and subsidiaries of U.S. companies accounted for virtually all of the increase in private investment.

The increase of 500 million dollars in foreign investment in the United States resulted largely from direct investments and foreign holdings of corporate stocks. A rise of about 200 million dollars in direct investments resulted chiefly from the use of undistributed profits of foreign owned U.S. companies. Although the value of foreign holdings of corporate stocks also increased by about 200 million dollars, the rise was more than accounted for by an increase in stock prices, as foreigners were, on balance, actually small net sellers of U.S. stocks during the year.

From Department of Commerce Press Release, Washington June 29, 1950

East of the Iron Curtain

A correspondent recently in Prague provides the most detailed account yet published of Russia's progress towards making a single economic unit of the six other countries behind the iron curtain

SINCE the creation of the Council for Mutual Economic Aid in Moscow in January, 1949, there has been a steady increase in the integration of the economies of the member countries: the Soviet Union, Czechoslovakia, Poland, Hungary, Rumania, Bulgaria and Albania. Although Eastern Germany is not formally a member, it is closely linked to this group.

The last two years have been marked by the change-over from post-war reconstruction plans in all these countries to long-term development programmes in the form of five or six-year plans. The year 1954 is the approximate date set for the first stage in the establishment of a multinational unit based on planned trade, production and distribution.

One of the bases for this integration is expanding industrialization, with most emphasis on electric power generation, steel production, engineering and chemicals. The more backward of these countries are obtaining capital equipment and industrial raw materials, particularly from the Soviet Union and Czechoslovakia; while the more advanced are finding new sources of supply of essential raw materials—especially Czechoslovakia and Eastern Germany, since they were most dependent on the western countries before the war.

Several joint planning and industrial enterprises have been initiated, for which Polish-Czech co-operation pro-

vides the outstanding examples. The Council for Polish-Czechoslovak Economic Co-operation, established as early as July, 1947, has concluded a series of agreements on trade, transport, investments, division of labour and the exchange of economic information.

One of the first projects to be undertaken was the construction of a 150 million watt electric power station just inside the Polish border to serve the adjoining industrial regions of Katowice, in Poland, and Moravska Ostrava, in Czechoslovakia. Poland is doing the building and assembling and providing the coal to run the station, while Czechoslovakia, paying half the cost and supplying the equipment, will receive electric power equal to 300,000 tons of coal a year. This project is to be completed in 1952, with others to follow.

Port Facilities

Poland has made available port areas and facilities for land-locked Czechoslovakia at Stettin, as well as the use of the Oder river as an inland waterway. Similar rights have also been afforded Hungary according to a recent Polish-Hungarian agreement; and a Polish-East German agreement concluded in June provides for the mutual granting of facilities for scientific research and the exchange of technical literature.

In a planned effort to reduce their dependence on western supplies all the countries of eastern Europe are

now manufacturing an increasing number of products which formerly they had either to import or to do without. Czechoslovak heavy industry, for example, is reported to have produced during the Two-Year Plan (1947-48) more than 530 new types of machine which were not manufactured in that country before the war.

New Products

These machines include high-efficiency boilers for domestic brown coal, high-speed multiple-stage steam turbines, Diesel shunting engines, new types of tugboats and cranes, and turbo-compressors. Tractors are being mass-produced for the first time, and steel mills have extended the production of various special rolled products, steel for ball-bearings and seamless tubing.

Other new products are fluorescent lighting equipment, textile needles, seismographs, calculating and statistical machines, linotypes and rotary printing presses. The Czech chemical industry has developed new plastics and such pharmaceuticals as insulin, penicillin, sulphonamides, and various hormones, while the glass industry is beginning to produce glass fibres and textiles, thermo meters, microscope slides and optical glass.

Polish Mines

Poland, in the course of the current year, will begin the mining of copper ore and the production of copper concentrates, ferro alloys and aluminium from domestic raw materials. New manufactures include industrial pumps, refrigeration compressors, mercury arc rectifiers and automatic telephone exchanges, while such processes as high-frequency hardening of metals, the use of supersonics in the production of emulsions and the processing of pigments are being applied in several factories.

The most ambitious undertaking of the current Polish Six-Year Plan is the construction of a huge iron and steel works in the Silesian industrial basin. It will necessitate the creation of a new city of 100,000 inhabitants in the vicinity of Cracow, together with a network of railroads and highways. It is expected that production will start in one of the auxiliary departments of the new works towards the end of 1951.

Eastern Germany also is constructing a new steel works in Brandenburg which is to be the largest in the zone. It is to have 10 Siemens-Martin furnaces, each of 100 tons capacity, and an annual output of 500,000 tons. Production is planned to begin this month and full capacity to be reached by November, 1951. Steel production in Eastern Germany is expected to attain the pre-war level of 1,250,000 tons by the end of this year, which is six times the 1948 output.

Imports from Russia

Even this level, however, is only one-half of the area's pre-war consumption and since the deliveries of steel from the Ruhr have been small the difference is being made up largely by imports from Russia. The depressed level of German inter-zonal trade has resulted in Eastern Germany producing a large number of manufactured goods which previously it obtained from Western Germany, among which are electric motors, specialized machine tools, mining equipment, heavy boilers, and turbo-generators.

In Hungary industry is being re-organized, small factories are being amalgamated and production is being specialized at the larger factories. For example, the manufacture of cold storage equipment, flour mill machinery, and small petrol engines is being transferred from the Ganz works to

other plants, enabling the former to concentrate more on the development of Diesel engines and locomotives. Simultaneously with this reorganization manufacture is being standardized so that fewer products are made in larger quantity.

Experimental areas at present growing cotton are being increased in number in order to meet the requirements of the home textile industry by 1954. The area under flax is to be doubled during this year, and research is being conducted into growing ramie. The first crop of a special rubber plant in Hungary was harvested at the end of last year, and rubber manufacturing processes are being modernized and expanded.

While Hungary now imports 80 per cent. of its timber needs, afforestation is being planned for self-sufficiency in four decades. In the meantime enough aluminium is being manufactured to warrant its use in construction works as a substitute for wood.

Rumania is the second oil producer in Europe after the U.S.S.R., and its output of crude petroleum during 1950 is expected to reach the pre-war level of 6,600,000 tons (the production of other countries last year in tons was: U.S.S.R., 31 million; Iran, 25 million; Mexico, 8,400,000; and Iraq, 3,400,000). This branch of industry is receiving special attention, and the programme of development includes the exploitation of oil deposits in the sub-Carpathian region, the expansion of refineries in Bucharest and the Ploesti area, and the construction of additional pipelines.

Rumania is also building up a synthetic chemical industry for the first time, supplied by home-produced raw materials such as petroleum, methane, salt, and wood to form the basis for a plastics industry as well as for synthetic rubber, dyes, and pharmaceuticals. Already acetylene is being

The general pattern of trade among the countries of Eastern Europe is characterized by an increasingly high level of exchanges within a network of balanced bilateral agreements. The other significant factor is the emergence of Russia as a major supplier of capital goods and industrial materials—a point which is amply demonstrated by the recent Czech-Soviet agreement.

prepared from methane, and oil by-products are being used for the production of synthetic crude turpentine, acetic acid, ethyl alcohol, acetone, glycerine, and methyl alcohol.

Furfural, which is used in special motor oils, as an ingredient of plastics and as an anti-mildew fungicide, is now being prepared from the husks of sunflowers seeds; previously it had to be imported. Overall industrial production in Rumania during 1950 is planned to be 37 per cent. higher than last year, and among the new products which already have been manufactured are 190 h.p. Diesel engines, steel for ball-bearings, universal grinding machines, special oil drilling equipment, and textile machinery.

Bulgaria

The industrialization of Bulgaria has been a matter of starting from next to nothing; before the war its productivity was about one-quarter of that of Greece, a country of approximately the same population and size. The prime emphasis has been placed on the electrical industry, and domestic needs are already being largely met by home-produced small and medium motors, transformers up to several hundred kVA rating, telephone equipment, electric bulbs, and insulating

material.

Production in this field is now reported to be 120 times the low 1939 level and it is to be tripled again in the next three years.

Successive Bulgarian exhibits at recent Central European trade fairs have reflected the increased industrialization. Whereas at Prague last September plywood and veneers were the only manufactures on show, last March at Leipzig, Bulgaria displayed wireless sets, telephone equipment, electric motors, rubber goods, and industrial belting.

At the Prague fair this May the Bulgarian exhibit included pneumatic drills for mining, dental equipment, a 100kVA oil-filled transformer, and woollen suiting material. New products which Bulgaria is beginning to manufacture, as yet only in small quantities, are steam hammers, automatic brick cutters, various types of agricultural machines, lathes, tractors, steam-rollers, locomotives, and lorries.

The general pattern of trade among the countries of eastern Europe is characterized by an increasingly high level of exchanges within a network of balanced bilateral agreements. This arrangement is prompted by the

growing co-ordination of individual economic plans and the need for dependable and expanding markets and sources of supply to fit in with these long-term plans for rising production.

The Polish-Soviet agreement signed at the end of June is illustrative of the arrangements, in that it covers the exchange of goods over an eight-year period, during which time the volume of trade between the two countries is planned to increase by 60 per cent. while Polish industrial output is more than tripling. In addition, rouble credits to Poland have been extended and now total the equivalent of £200 million. Russian machines for the new steelworks near Cracow are being purchased on credit.

The emergence of Russia as a major supplier of capital goods and industrial materials is an increasingly significant factor, as shown by the recent Czech-Soviet agreement. According to Czech sources, the long list of goods they will receive during 1950 includes 1,500,000 tons of iron ore, large quantities of copper, lead, zinc, manganese and other ores, synthetic rubber, cotton, wool, and ball bearings.

OIL EQUIPMENT: MAJOR INDUSTRY IN U.K.

Rapid post-war expansion of oil-well equipment manufacture in Britain has raised the industry to major status. Production, which is primarily for export will this year be worth between £80 million and £85 million compared with £10 million in 1939. Development is chiefly due to the dollar shortage. In addition, demand has been stimulated by devaluation of sterling, which has diverted overseas inquiries from U.S. to U.K. manufacturers. Some American producers have lost a substantial part of their export trade, and have resorted to licensing for manufacture in Europe items formerly not obtainable outside the U.S. The huge refinery programme being undertaken in Britain, as well as recent U.K. measures to reduce the dollar cost of oil, have also contributed to the expansion.

Russian Budget for 1950

ON June 13, the Soviet Minister of Finance introduced the 1950 budget to the Supreme Soviet of the U.S.S.R. The usual procedure in the U.S.S.R. is to introduce the budget to parliament during the first three months of the year, and to base expenditures and revenues for the first quarter on the budget of the preceding year.

The presentation of this year's budget, however, was delayed. In the estimates, the reduction of prices last March had been taken into account, but the reduction of production costs in the construction industry, which was expected to average 25 per cent. and which was introduced on July 1, 1950, had not been taken into consideration.

Total revenues for 1950 have been estimated at 432 billion roubles, which is 1 per cent. less than actual revenues in 1949; and expenditures have been estimated at 427.9 billion, an increase of 5 per cent. over 1949. The largest revenue item will again be proceeds from the turnover tax—amounting to 238.4 billion roubles, or 55.2 per cent. of total revenues.

In previous years, the share of turnover tax proceeds used to be around 60 per cent.; the reduction may

have resulted from the 15-20 per cent. cut in the retail prices of consumers' goods. Other revenue items are shares in profits of state enterprises (39.8 billion roubles), direct taxes (36.4 billion roubles), and state loans (31.8 billion roubles).

The state lottery loan of 1950 has already yielded over 27 billion roubles, and the remaining amount probably represents loans to be subscribed by the banks in which private savings are deposited.

On the expenditure side, the most important item is the cost of financing development. It is 164.4 billion roubles (161.9 billion in 1949), which includes expenditures of 85.3 billion for industry, 36.6. for agriculture, and 15.0 billion for transport and communications. Expenditures on social services are estimated at 120.7 billion roubles (116.0 billion in 1949), of which 59.2 billion is for education, 22 billion for public health, and 22.4 billion for social insurance.

Expenditures for general administration are estimated at 13.9 billion roubles (13.7 billion in 1949). The defence budget amounts to 79.4 billion (79.2 billion in 1949), or 18.5 per cent. of total estimated expenditures.

From Pravda, Moscow, and International Financial News Survey, June 30, 1950

THE ECONOMIC DIGEST, AUGUST ISSUE

We regret that the following acknowledgements were omitted from the last issue of The Economic Digest: **Counterpart Funds** by ALEX N. MCLEOD (page 348)—*from Staff Papers, International Monetary Fund, Washington, February 1950*; **Limited Value of Anglo-American Productivity Studies** by FRANCIS WILLIAMS (page 369)—*from B.B.C. broadcast*; **National Income Calculations** (page 374)—*from National Income Statistics 1938-48, United Nations Statistical Department*; **Bright Boys** (page 384)—*from Manchester Guardian*.

Plans for West European Integration

*Three countries—the Netherlands, Italy and France—
have advanced plans for the integration of Europe*

AT the meeting of the O.E.E.C. in July, the Council had before them three plans—submitted by Dr. Stikker (Netherlands), Signor Pella (Italy) and M. Petsche (France)—for European integration, which they passed on to the experts of the Organisation for closer examination.

The plan submitted by Dr. Stikker on behalf of the Netherlands Government aims at the creation of a single market in Europe by gradually removing all restrictions in the field of both imports and exports.

Industry by Industry

This aim will not be attained without risks for the economies of the individual countries ; it might become necessary to close down certain parts of the production apparatus of a country. The mutual advantages of integration can be achieved only if the burdens are mutually shared. Integration should be completed industry by industry, the first to be considered in this connection being the basic industries, agriculture and specialised processing industries.

The Integration Fund, to be financed by contributions from the member countries, might provide means for the modernisation of an industry in a particular country which would not otherwise usefully participate in the integration of that industry or provide means for new investments when an industry has to be closed down because even modernisation would offer no solution. Particular emphasis is laid in the plan on the

necessity for maintaining full employment in all the member countries.

The Italian plan, submitted by Signor Pella, also stresses the need for the creation of a single market. Liberalisation (abolition of quantitative restrictions) alone is bound to lead to inequality of sacrifices ; but the Pella proposal expresses doubts also regarding "integration by sectors" as suggested by Dr. Stikker.

The large majority of the member Governments have not the legal powers necessary to control investments. It might be difficult to look for compensations within one sector, and to look for compensations in the reorganisation of other sectors would imply that everything would be held up until all sectors had been reviewed ; there are also compensations (e.g. those connected with the use of surplus manpower) which must be looked for to a large extent outside Europe.

Inequalities in the economic potential between members cannot be eliminated in a few years.

. . . A Preferential Zone

"If the purpose of the approach by sectors is to establish complete freedom of trade after going through a phase of direction and reorganisation, it is to be feared that any attempt to apply it to European economy as a whole might stop short at the stage of direction. . . . We should run the risk of reducing or eliminating that element of competition which the existence of a considerable number of markets and of national productive organisations still represents in Europe."

The Italian proposal, therefore, is that another method for integration should be examined—the formation of a preferential zone in Europe. The creation of an Integration Fund is supported. Finally, the necessity for finding a solution of the major problems of each member country (surplus manpower and long-term investments in the case of Italy) is emphasised.

M. Petsche favours the establishment of a European Investment Bank, a suggestion he had already put forward last year. This Bank should aid projects which make European products competitive with American products. The Bank should have a capital of at least 500 million dollars partly in dollars (e.g. through a contribution by the International Bank for Reconstruction and Development), but mostly in the currencies of the member countries.

Monopoly or Competition ?

The share would be held by the member countries ; each country would participate in the administration in accordance with its financial importance. Private banks should not be shareholders, but the Bank might issue bonds in order to secure the assistance of private capital (in Europe and America).

The Bank should not only deal with the Governments of the member countries, but also consider projects submitted by private enterprises, by industrial federations or by the proposed High Authority for Coal and Steel. It should also foster the pooling of technical knowledge between the member countries.

The problem of European integration is discussed in two lengthy articles by Professor W. Roepke in the *Neue Zuercher Zeitung*. He emphasises that an "international planned economy" is either "an illusion or a nightmare." It could only be achieved at the cost of loosening

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*The problem of European integration has also been discussed by two professors. One says it would be easier to reduce trade barriers on a world-wide scale. The other thinks the idea of European Payments Union is superfluous.*  
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Europe's solidarity with the rest of the world. The political object of the Schuman plan, a progressive understanding between France and Western Germany, is desirable. Nevertheless, it seems that a European super-monopoly of the most important raw materials is being attempted. The project could, however, be successful if the High Authority were to become a centre for the co-ordination of all forces which are working for restoration of competition, if it were to establish rules of competition within the sphere of coal and steel and if it were to see to it that duties against competitors from outside Europe should be fixed at a low level, thus frustrating the tendency towards European monopolism. As regards the European Payments Union, Professor Roepke thinks that it can be successful only if it impels its member countries to revise their economic policy in such a way that external equilibrium will be restored ; and thus the union becomes superfluous.

In a lecture in Zurich, Professor Haberler (Harvard) said that it would be easier to reduce trade barriers on a world-wide scale than in Europe alone. The same applies, he continued, in the sphere of payments. E.P.U. does not seem practical in the long run unless both the Socialist and Liberal member countries adapt their policy to each other. A better way would be if gradually one currency after the other could reach general convertibility.

European Payments Union

A Means—Not and End

by Per Jacobsson

A difference in emphasis is noticeable in current opinions on the establishment of the Payments Union.

Some regard it as a convenient technical device which will help to restore the health of European currencies and thus hasten the advent of full convertibility (and, once convertibility has been attained, interchangeability of European currencies will automatically ensue—which will be the best solution of the problem of making effective payments in and outside Europe).

An Historical View

Others pay more attention to the Union as an important advance in the movement towards integration of the European economy. There is, however, general agreement that *Europe must not be made into a "closed area"*, since extra-European trade (on which the supply of foodstuffs and raw materials depends) is in many respects even more important for Europe than European trade. But, for that very reason, convertibility is a requisite for the European economy.

It was surely a mistake for the Greek city states to fight each other in the Peloponnesian and other wars, but Greece could never have been a prosperous country if thrown upon its own internal resources; it needed a vast trading area, which became co-extensive with the Mediterranean.

Today western Europe stands to the

world at large in very much the same relation as the Greek cities to the Mediterranean basin. It is interesting to note that one of the foremost historians of our time, Arnold J. Toynbee, in his "Civilization on Trial" (published 1948), lays great stress on Europe's need of overseas economic relations. He finds that "a European union, even if it embraced the whole of Europe, would be almost as inadequate an economic unit as a national state on the scale of France or a city-state on the scale of mediaeval Venice".

This does not mean, of course, that western Europe should not establish appropriate institutions of its own but it does mean that these institutions must not be so framed as to produce exclusiveness towards the rest of the world—and in the monetary sphere the best defence against exclusiveness is a return to full convertibility.

The importance of overseas trade has been one of the reasons why it was indispensable to arrive at a working agreement with Great Britain as regards the special position of sterling in the Payments Union—countries being allowed a certain liberty of choice between claims in sterling and claims in the Union.

Since the autumn of 1949 there has been an almost uninterrupted improvement in the monetary reserves of most of the western European countries, including the British reserves, and it is probably fair to say that a more optimistic outlook is gradually re-

placing the hesitant attitude which still predominated in the winter of 1949-50 with regard to the possibilities of general convertibility.

In its balance of payments Europe had in 1947 a current deficit equal to 7,400 million dollars; in 1949 the deficit had been reduced to 2,900 million dollars, and on the basis of the trade returns for the first five months of 1950 it seems to be now running at an annual rate of less than 2,000 million dollars.

The deficit in relation to the dollar area (which includes Canada and some other countries, in addition to the United States) is probably about 500 million dollars larger than the overall deficit, one reason being that some European exports are paid for only by drafts on capital (thus part of the British exports are paid for by drawing on sterling balances).

Some particular complications arise from this mode of payment, but attention is given to them: in the 10-point programme adopted by delegations of Canada, Great Britain and the United States after negotiations in Washington in September 1949 it was recognised that the whole problem

A return to general convertibility may be somewhat far removed, but that is no reason for failing to carry on with the liberalisation of trade in Europe. When this has been done the movement can be extended to non-European countries, and thence to the world at large.

of sterling balances was one of the subjects which "would require further study" and it is, in fact being kept under continual review.

In so far as the idea of the Payments Union has sprung from a certain pessimism with regard to the chances of a fairly speedy return to convertibility, a change of attitude is required. But the fact that a more ambitious goal should be within reach does not make it less important to facilitate further progress towards the liberalisation of trade within Europe by means of suitable monetary arrangements—the following step being to extend the liberalisation to extra-European countries in connection with the return to all-round convertibility.

STATE SELLS HOUSES TO TENANTS IN NEW ZEALAND

State houses will be sold to present tenants only, at prices based on current replacement values. The estimated weekly cost to a tenant buying his home is little more than the present rent. Houses bought on a mortgage will have a special mortgage insurance policy, so that if the breadwinner dies before the mortgage is paid, the balance owing will be written off. Tenants who have bought their homes will not be permitted to sell them within seven years without first offering them for sale to the state. The Minister in charge of the State Advances Corporation (the Hon. J. R. Marshall) emphasised the government's intention to sell houses to their present tenants and not to speculators.

From New Zealand Government News Bulletin, August, 1 1950

Unequal Tax Burdens in Britain

by Norman Crump

Wage earners are about as well off as they were before the war ; the real burden of taxation is on the shoulders of the salaried classes

IF anyone has to decide whether he is worse off or better off today than he was before the war, he has to take three things into account. The first is the change in his personal income. The second is the decline in the purchasing power of the pound. This, be it noted, reflects in full the burden of indirect taxation and also the relief afforded by subsidies. Finally, there is the increase in the taxation of incomes.

On the first point one or two broad indications can be given. Weekly wages are now on the average about 90 per cent. above their pre-war level. At a very rough estimate salaries are probably about 50 or 60 per cent. higher but the better paid a post was before the war, the less has been the subsequent increase in the salary attaching to it. Salaries in the administrative grades of the Civil Service have mostly been raised by less than 20 per cent. Judges of the High Court continue to receive the £5,000 a year which they got before the war.

The decline in the purchasing power of the pound cannot be defined exactly, because it has affected different sections of the community in varying degrees. Recent statements by the Government suggest that compared with 1939 the buying power of the pound equalled only 13s. 2d. at the

end of the war, and has since fallen to 10s. 6d.

I come now to the combined incidence of taxation and the cost-of-living. One vital point should first be made. When Sir Stafford Cripps talks of the post-war remissions of income-tax, he has failed to realise that the benefits of these remissions have been more than swallowed up by the post-war decline in the purchasing power of the pound. Any given income, whether great or small, will, after bearing its tax, buy less today than it did at the end of the war.

Returning to the comparison with pre-war days, the following examples are based on a married man with two children. Take first the man who in 1939 earned £3 a week. If he is doing the same job today, he may be getting £5 15s. a week. He paid no income-tax then, and he pays none today. Allowing for the rise in the cost of living, his wages will probably buy as much today as they did in 1939.

Comparative Figures

If during the intervening years he has advanced to a post worth £7 10s. a week, at 1950 rates of pay, he is better off. The reason is that even at his higher rate of pay, he pays only a negligible amount in income-tax.

Now take the salaried classes. If

a man was earning £500 a year in 1939 his war increases and normal increments should have raised him to £900 a year today. His income-tax, however, will have gone up from £8 to £133, so that his net income has risen only from £492 to £767. A present-day net salary of £767 will buy no more than one of £403 would have bought in 1939. The result is that his effective purchasing power has fallen from £492 to £403, so that he is 18 per cent worse off.

Now consider a Civil Servant who was paid £900 a year in 1939. Subsequent promotion and war salary increases have raised him to £1,600 today. His tax has gone up from £90 to £385. After allowing for the decline in the purchasing power of the pound, his current net income of £1,215 will buy 21 per cent less than he could have bought with his 1939 net income of £810.

More Calculations

In 1939 a promising business executive might have been getting £1,500 a year. He has since done well, and is now general manager with £3,000 a year. But his taxes have gone up from £221 to £1,091, so that his net income has risen only from £1,279 to £1,909. This increase does not compensate him for the fall in the purchasing power of the pound. Actually he is 22 per cent worse off than he was before the war.

Similar calculations show that if a man's salary has risen since 1939 from £2,000 to £3,000 a year, he is 39 per cent worse off today. But I come now to the most glaring case of all. A judge is paid today £5,000 a year, which is just what he received in 1939, and indeed long before the first world war. Still con-

"When Sir Stafford Cripps talks of a reserve of taxable capacity, he is the victim of an illusion. There is no reserve of taxable capacity, for it has been absorbed by the post-war rise in prices."

Thus Mr. Norman Crump, City Editor of the "Sunday Times", who has figures to prove his case. One calculation shows that a business executive who earns £1,500 more now than he did 10 years ago, is 22 per cent worse off than he was before the war.

"These calculations" says Mr. Crump, "show that a man earning £4,500 a year to-day is no better off than one with £2,500 a year before the war."

fine the comparison to 1939 and today. Assume that he is married, but that his children are grown up.

In 1939 he paid £1,524 in income-tax and surtax. Today he pays £2,445. Therefore his net income has fallen from £3,476 to £2,555. The pound is now worth only 10s 6d., which reduces the buying power of £2,555 to £1,342. Therefore, for all practical purposes his income has fallen from £3,476 to £1,342. It is less than two-fifths of what it was before the war.

These calculations speak for themselves. They show that a man earning £4,500 a year today is no better off than one with £2,500 a year before the war. They show that once an income begins to run into thousands, any additional income is so much "fairy gold," or rather "elfin paper". Above all they show that the well-to-do, as Mr. Strachey calls them, are already bearing a very heavy share of the burden.

When Sir Stafford Cripps talks of a reserve of taxable capacity, he is the victim of an illusion. There is no reserve of taxable capacity, for it has all been absorbed by the post-war rise in prices. There are of course, real reserves, but these

must be sought in other directions. One is increased production. Another is Government economy on things, which, however desirable in themselves, must now give way to the over-riding needs of national defence.

PREPARING DEFENCE BUDGETS (2)

U.S.A. Seeks Anti-Inflationary Taxes

AN anti-inflationary tax programme must seek primarily the curtailment of potential spending.

The best way to make a beginning in that direction, perhaps, would be to place the present excise taxes on a broad base, to cover not merely luxuries and shortage materials but the whole range of consumer goods, with the exception of food.

Next individual incomes must be tapped, and must be tapped not just where it is politically convenient but at the main source.

And what is the main source? We get a clear picture of this when we compare recent figures on incomes and taxation in the brackets below 5,000 dollars for example, with those of 5,000 dollars and up.

Above this line we find that there are 2,415,300 taxpayers, or 5.1 per cent. of the total. Their combined net income (after tax deductions but before exemptions) is 28,695,200,000

dollars.

The combined tax liability of this small minority of taxpayers is 8,220,100,000 dollars which accounts for 48.7 per cent. or almost half of that of all the nation's taxpayers combined.

The brackets under 5,000 dollars embrace nearly 95 per cent. of the taxpayers, and they represent 109,895,900,000 dollars in net income, or 79.3 per cent. of the total, yet their tax liability is only 8,664,200,000 dollars, or slightly more than half the total.

Here in a nutshell, is where the bulk of taxable income is to be found. Moreover, as Administration economists have frequently and correctly reminded us, it is in these brackets that "the propensity to consume" is highest—and it is consumption, or purchasing power, which must be soaked up in any genuinely anti-inflationary tax programme.

From the New York Times (Leader) July, 26, 1950

MORE EVIDENCE FOR THE ROYAL COMMISSION ?

The Economic Research Council may set up a sub-committee of experts to prepare evidence for submission to the new Royal Commission on Taxation. The Commission was announced on July 27 by the Prime Minister, who said that its terms of reference would range from the incidence and effects of all taxes on income, to the taxation of wages, salaries and business profits. The Economic Research Council sponsored evidence presented to the Committee presided over by Mr. Millard Tucker, K.C., whose recommendations led to the proposal for a new Commission.

Cartel Registration in Sweden

Sweden finds that the bright light of publicity often makes legislative action unnecessary

UNDER the Monopoly Act of June 29, 1946, a Monopoly Investigation Bureau was established under the Swedish Ministry of Commerce. The Act provides for the surveillance of restrictions on competition, and the Bureau is authorized to keep a register of agreements for restriction and to publish such agreements.

Although it has no executive authority, it can ask firms to submit agreements on restriction of competition as regards price, production, distribution and transport within Sweden. Agreements need only be reported at the request of the Bureau; such requests for information do not imply that any particular agreement is held harmful.

101 Different Ways

The main object is to give publicity, since pressure of general opinion may make intervention unnecessary. The Bureau may also carry out special investigations, the results of which need not necessarily be made public in order to protect legitimate commercial interests.

The Bureau publishes regularly the text of agreements submitted in its journal, *The Cartel Register*. So far most agreements relate to prices and rebates, but some of them aim at the division of markets, price protection at tenders, and at the limitation of production. There are also exclusive agreements binding producers and distributors to buy or sell only to each other.

Agreements registered so far relate to 101 different kinds of goods and

services. Since registration was introduced 87 agreements have been cancelled (and others revised) out of 382 registered up to March. It is impossible to say how far the registered agreements are representative of Sweden's economy.

There are the usual price cartels (e.g. for sanitary goods, glass, prices, installation); a quota cartel (including the co-operative union) for cement; a number of agreements between wholesalers and retailers of foodstuffs; and one for hairdressing equipment.

There are of course price cartels for electrical equipment (including mining and goods lifts and their repair) and production quotas for railway engines; but it is surprising to find price cartels for agricultural machinery and all sorts of hardware—even horseshoes! Margarine manufacturers share the market through quotas; this includes the Co-operative Union, which makes its own margarine.

A special study would be needed to analyse the material relating to goods and services which enter everyday life, since such agreements are hardly explored in any country. Here, however, a few cartels with international implications may be mentioned.

The watch-trade is completely organized. Party to the national agreement are retailers and wholesalers, who have an agreement with Swiss producers.

Car-tyre producers, including the Swedish subsidiaries of Firestone and Goodyear have an exclusive agreement with retailers which excludes

the co-operatives. A similar agreement exists between an important organization of tyre-importers (representing among others Michelin and Dunlop) and the retailers.

An agreement between Swedish importers of rolled iron and tubes and a Belgian and Luxembourg group contains an undertaking to direct purchases to agents representing these groups; complete information

is to be given mutually.

A price agreement (not to sell certain products at prices lower than agreed) exists for metal alloys and non-ferrous metals like copper and copper-wire, copper alloys etc.

This operates between Belgium, France, Britain (British Non-Ferrous Metals Federation, High Conductivity Copper and Alloys Export Group), Switzerland and Sweden.

Norways' "White Coal"

by Paul M. Strande

A country virtually without coal, Norway has turned to her "white coal", her waterfalls, for industrial power. Hydro-electric plants are the rock upon which her industrial present and future stand. Power plants have accordingly been given high priority in the reconstruction programme, although pre-war installations—apart from 110 plants destroyed in North Norway—were relatively unscathed.

Plans which were ready for the protection of power and other plants by the home forces in the event of a German collapse were put fully into effect in May, 1945, and there is evidence to prove their worth. Partly as a result, the total electrical capacity at present is 3 million kW, as compared with 2 million kW in 1940. In 1955, capacity is expected to increase to 3.7 million kW. The full requirement to-day, however, is 4.8 million kW and the total future demand 6 million kW.

Fortunately, there is no shortage of waterfalls. It is estimated that a total of 12 million kW can be harnessed. As technique develops Norway may be able to export electricity to neighbouring countries. A plan to export

electricity to Denmark from 1953 has met with considerable opposition, since the demand for power within Norway cannot yet be met. Of the country's 4,400 km of railway only 750 km have been electrified, although the cost of coal as power for the railways is from five to eight times as much as that of electric power.

In all except a few plants the new pipe-lines have a fall of up to 3,000 feet as compared with the pre-war 45 to 75 ft. drop. The pipe-lines, too, are being cut through the solid rock instead of being constructed externally. In the long run this is more economical, apart from any question of safety from bombing and sabotage.

Dams are being constructed to ensure an even flow all the year round. In the £7 million Hol works now under construction to supply electric power to Oslo there are some 15 miles of tunnels through mountains. Many of the new power stations are being constructed entirely underground. The space for one of the new stations at Rjukan is hewn out of solid rock and it is buried almost in the heart of a mountain.

More Power for Australia

Queensland to Harness Burdekin River

THE plan for harnessing the Burdekin river by building a dam 75 miles from the mouth, which would impound more water than the Hume Dam on the River Murray, will bring more than 250,000 acres of soil under irrigation, generate 187 million kWh of electricity a year, and control the periodical flooding of the river.

The Burdekin, which is 425 miles long, flows from the eastern slopes of the Great Dividing Range across the coastal tropical belt into the Pacific Ocean. With its tributaries it drains more than 50,000 square miles of land. In flood the main stream reaches a width of 11 miles and empties into the sea every six seconds as much water as would give a year's supply to a city of 400,000 people.

The main dam, to be supplemented by a diversion dam in the lower reaches of the river, would be 138ft. high; it would back up the waters of the Burdekin and its tributaries for 100 miles, store 435 million acre-ft. of water, and give a continuous output of 4,000 acre-ft. a day which could be maintained even during a two-year drought.

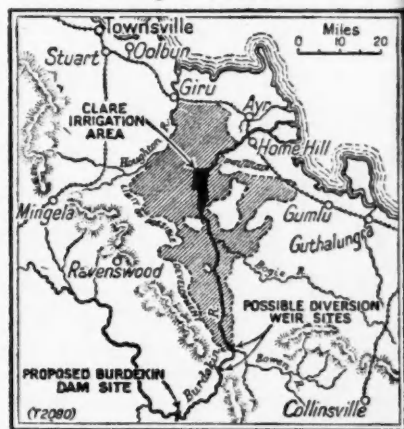
The Burdekin is subject to recurring floods during the wet season from November to March. The dam will reduce the highest known flood levels in the river delta by as much as 4ft., but the wet season is the only time of the year in which a substantial intake of water can be expected and that cannot always be depended upon.

Even if there were no rain for two

years, however, the dam could irrigate 250,000 acres of land and produce 42,000kW of electric power, which would meet the domestic and industrial needs of 5,000 farms and leave 20,000kW for secondary industries.

It is estimated that the farms would have an annual turnover of between £A5 million and £A10 million.

The Burdekin flows through a rich coastal belt in which the Australian sugar-cane industry is situated, but Queensland experts think that apart from the opportunity the area offers for fattening cattle the soil should produce crops ranging from tobacco and cotton to pineapples and potatoes. The small irrigation settlement of Clare has recently been established, in which ex-service men will concentrate on tobacco-growing. The Clare irrigation system has been planned to fit into the larger scheme.



Housing Reviewed in Scotland

Rents are going up but deficits also continue to increase in Scotland, where about one quarter of the population lives in municipal houses

THE comparative figures of average rent income per house in the years 1946 to 1949 are suggestive:—⁽¹⁾

	1946 £	1949 £	Increase £	As % %
Cities (4)	18.86	20.18	1.32	7%
Large Burghs (20)	18.57	21.47	2.90	16%
Counties (24 and 30)	17.32	20.32	3.00	17%

	No. of Houses	Deficit 1948-49	Average per house
Cities (4)	113,608	280,435	2.47
Large Burghs (20)	69,659	316,557	4.54
Counties (30)	70,374	476,004	6.76

If the year 1946 can be taken as one when post-war building was seriously beginning to get under weigh and rent levels largely at their pre-war figures, it is not difficult to estimate how far an increase of 17 per cent. on rentals will meet capital costs increased by at least 100 per cent. over pre-war figures. The Scottish press showed that many areas increased rents in 1949, but the full effects will not yet have emerged. The 1950 figures will, it is certain, tell a somewhat different story.

Cities have increased their rents by 7 per cent., compared with 16 per cent. in large burghs with the 1946 base approximately the same; but, contrary to expectations, deficits per house on large burgh housing pools are actually higher.

One might speculate on the hidden

factors implicit in these figures, but it is probable that the returns from large scale management in concentrated areas are exceptionally profitable in a service like housing and the number of local peculiarities creating seemingly unaccountable diversities must be legion. Overall the upward trend in rents appears to be losing the race with growing deficits.

The housing repairs fund figures reveal an impending crisis. Of the 20 Large Burghs four and of the 30 counties nine are in debit; one city and one county are nil. Totals in the funds have fallen alarmingly since 1946 and the inference is clear that either substantially increased contributions will be required in the majority of cases, or the acceptance of a repairs account where the actual repairs will form a charge against the housing pool.

Purpose of the Funds

Is this such a bad thing? The purpose of equalization funds of all kinds when applied to publicly financed services seems to have point only if the value of money can be kept constant. Past ratepayers, taxpayers, and tenants provided the funds which exist today. They disappear not so much in carrying out the repairs for which they were accumulated, as in discharging inflationary prices which it can be argued are the liability of the present generation.

(1) These apply to houses owned by Scottish public authorities

Moreover substantial credit balances are a standing temptation. How many authorities with repairs funds still in being, considered it necessary up to the present to budget seriously for repairs? A repairs fund is a money plan for equalizing charges, but the plan tends to be illusory because values never remain constant. Let us plan rather the actual repairs and pay for them annually. The economy incentive is enormous.

Council Tenants

It is a sobering if not staggering fact that approximately one-quarter of Scotland's population is now housed in municipal houses. In the large burghs the average proportion of local authority houses to total dwellings is 31.87 per cent. Two burghs are over 40 per cent and one is 56 per cent. This proportion will rapidly increase due both to the decay of older privately let property and to the monopoly of new local authority building; and the question "Where do we go from here?" invokes the reply "It depends where we want to get."

There are some dangers. Consider a burgh with 80 per cent. (this does not appear impossible) of its ratepayers living in housing schemes. This means, even on present ratios of dwelling house rateable values to total rateable values (i.e. 65 per cent.), that over 50 per cent. of the total occupiers' rates will be found from housing tenants and well over 50 per cent. of the total owners' rates found from the local authority itself who must, of course, re-levy them in disguised form in rents.

The End of Local Rates?

A *bona fide* rent is rateable value in Scotland and thus r.v. per head with all its implications, comes into the picture. The temptation to the Great Simplifiers will, it is thought, be too

No less than one quarter of the population of Scotland lives in municipal houses. In a burgh with 80 per cent. of the rate payers living in housing schemes, over 50 per cent. of the total occupiers' rates would have to be found from council tenants and well over 50 per cent. of total owners' rates from the authority itself—who would have to re-levy them in the form of rents.

Thus the local rate on property might pass into history—a wry thought for the private owners, who have been agitating for this change and may see it as an accompaniment to their own funeral march.

great and a plan to sweep away the allegedly outmoded evils of the Elizabethan era will be demanded from the highest level.

Thus the passing into history of the local rate levied on property might be one of the unlooked for consequences of disproportionate municipal housing development, a possibility which incidentally might bring with it a wry thought to private property owners, who agitated for years for the abolition of the owners' rate and may find experience through its abolition concurrent with their own.

The *Review* for the four years indicates slowly rising numbers of houses, steadily rising rents, rapidly falling repairs funds balances and some dangerously high revenue deficits. The entire housing financial structure, faintly though it appears through the figures, shows itself nevertheless as an almost insoluble equation. Only the slow rate of building masks the financial reckoning to rate and taxpayer alike—or is it the reverse?

Cornerstone of British Government's Economic Policy

by Hugh Gaitskell

Although severely criticized in America and elsewhere, the United Nations report on full employment has been endorsed by Britain's Minister of State for Economic Affairs

TO the United Kingdom Government the maintenance of full employment is not just a desirable aim; it is the cornerstone of our whole economic policy, a "top priority" objective which we must achieve by the use of any and every means consistent with the preservation of our fundamental freedoms.

A state of affairs in which millions of people are prevented by a failure of social and economic organisation from earning their daily bread does not make sense nowadays. Moreover, it is our belief that in most manufacturing industries, a state of full employment is conducive not merely to high production but also to higher output per worker. Finally we should not overlook the immensely dangerous political repercussions to which heavy unemployment gives rise.

Twelve months ago when this Economic and Social Council of the United Nations passed the resolution setting up the expert group on full employment, we were all rather nervous lest the setback to economic activity in the United States, which occurred in the spring and summer of 1949, should deteriorate into a cumulative depression. That danger was averted and, at the moment, the American economy appears to be on

an even keel. But let us not forget how swift and unexpected the onset of a depression can be. Although we may feel that in present circumstances, including the latest international developments in the Far East, the danger of an economic depression in the near future is slight, we should do well to prepare now for contingencies which may arise later rather than wait until the crisis is actually upon us.

An Outstanding Report

There has been substantial progress in the understanding of the whole problem of maintaining full employment. I mention in this connection the name of a great Englishman who was also a great internationalist—the late Lord Keynes. The problem has therefore in the main shifted from being a scientific to being a practical one.

I have no hesitation in describing the report on Full Employment (summarised in *The Economic Digest*, March and April, 1950) as of quite outstanding value and likely to become a classic of its kind. The authors were clearly determined to ensure that the real issues were properly faced. This is not just another report to take note of and then file away, but the first draft of a blue-

print for a vital job of international economic co-operation. Governments have had a year to consider these proposals and should be ready now to take up a definite attitude towards them.

My government strongly supports No. (1)—that governments should adopt and announce full employment targets. Unemployment in any country is a potential threat to full employment elsewhere, and the object of this recommendation cannot be fully achieved unless it is adopted generally.

As regards (2), the announcement of comprehensive programmes, we are also in full agreement. The same applies to (4)—the announcement of anti-inflationary policies, which, indirectly, are no less important for the maintenance of full employment than other types of measures discussed in the Report.

Recommendations (3) and (5) can be considered together. We strongly support the general idea which underlies these proposals. Every government should be in a position to ensure, that as far as is humanly possible, it can create additional demand as soon as unemployment rises above the target figure. There must be the greatest possible certainty that this will take place. In our economy if the circumstances called for it we could release very simply a number of powerful compensatory influences.

What is the Alternative ?

We consider that, if any country decides not to adopt this proposal it may fairly be asked to explain how it expects to maintain full employment without it. We should ourselves be prepared to state our case, and if serious doubts were expressed we would be prepared to reconsider our attitude.

But I must emphasise that as far as the U.K. is concerned, we are in no



way worried about the prospect of a decline in internal demand starting from within ; and we are confident that we can speedily offset any such decline.

Our anxieties are directed elsewhere—to the danger of a decline in demand from overseas for our exports ; to the consequent threat to the equilibrium of our balance of payments and our capacity to pay for our imports. This brings me to the recommendations put forward in the report for international action.

The first recommendation for international action consists of a "programme to establish a new equilibrium in world trade". To come down to the specific, there is still an acute scarcity of dollars. Thanks to the invaluable breathing space provided by American financial assistance in a variety of forms, this dis-equilibrium is gradually being overcome. But progress is slow and as the period of Marshall Aid draws to an end, there are unfortunately still many countries who do not see how they will be able to obtain, either directly or indirectly, the dollars they will still need to pay for essential supplies.

In these circumstances a co-

ordinated and world-wide effort to analyse the existing dis-equilibrium and to produce policies for restoring the balance seems to have everything to recommend it. We therefore urge strongly that this Council should agree with the experts' proposal for the establishment of national programmes showing how each country proposes to restore equilibrium to its balance of payments. If we are to overcome the present dis-equilibrium we must make provision somehow for an increase in the gold reserves of the non-dollar world at the same time as we attempt to eliminate the deficit on current account.

The Investment Problem

The second international recommendation made by the experts, for measures to create a stable and adequate flow of international investment, has obviously great importance. Nevertheless, we have certain doubts—doubts which are shared by the Sub-Commission on Economic Development—about the precise approach suggested by the experts for solving these problems, and are inclined to feel that this is the one section of the report where some further study may be advisable.

It seems to us that some flexibility here is essential. For if deflationary tendencies are to be avoided, what we need is not that there should be just the *same* flow of foreign investment year by year, but that *the surplus should as nearly as possible always be balanced by investment.*

No Rigidity

For these reasons we feel that a rigid undertaking would be impracticable. Subject to this, my Government would be prepared to participate with other countries in a general agreement to endeavour to avoid undue fluctu-

ations in the level of net foreign investment, and in particular to maintain a reasonable stability in the volume of public overseas investment for development purposes.

As to the manner by which these particular undertakings are to be implemented—through the International Bank—I shall be interested to hear the views of the Bank itself. Meanwhile, I would only say that if money has to be put out at short notice on a basis which is not entirely commercial the lending governments will probably want themselves to have the disposal of the money, and they may be able to distribute it more effectively and quickly than an international organisation. We do however entirely agree that to rely on private investment is most unlikely to produce the flow of international lending that is required.

I turn to the last, and perhaps the boldest, proposal—the plan for stabilising the flow of international trade.

"To Each According . . ."

This has the great merit in our opinion, that it is clearly based on the principle that countries which have trade surpluses should try and see to it that other countries should have the funds with which to purchase them without the latter having to draw on their gold reserves too heavily.

The United Kingdom Government is whole-heartedly in agreement with the object of this recommendation. There are broadly two ways of mitigating the external repercussions of depression originating in some particular part of the world.

The first, and in principle, the best way—since it maintains the export trade of the rest of the world—is for the depression country to take special steps to stimulate imports, whether by stockpiling or by removing pro-

tective barriers. (In the past unfortunately most countries have done just the opposite. We are all familiar with the phrase "exporting unemployment"). The second approach, that elaborated by the experts, is for the depression country to make special financial assistance available to the rest of the world.

We should, in any event, hope that member governments would agree to accept in principle an obligation to

do their utmost, in so far as the state of their monetary reserves will permit, to prevent a fall in their domestic level of demand and employment from seriously reducing the total of their external expenditure, and that, should this nevertheless happen, they would be prepared to advance credits in some form or other to the extent of their increased surplus so as to enable other countries to continue to import on the same scale from them as before.

Other Voices in the Discussion

Mr. Isador Lubin (U.S.A.)

Mr. Isador Lubin (*United States*) described how efforts of the United States government to protect its people from depression had developed "from temporary emergency measures into new programmes of lasting value." He declared that "the cynical suggestion that the United States has relied on increased armament and foreign aid programmes to maintain full employment is an unmitigated distortion."

Turning to the experts' report, Mr. Lubin said with respect to domestic measures:

"1. We accept the idea of full employment targets. We prefer, however, that they be expressed, not only in terms of unemployment, but also in terms of employment, production and other relevant factors, to provide more effective guides in the formulation of full employment programmes.

"2. We accept the proposition that each country should adopt and announce a comprehensive programme for full employment.

"3. We believe that the experts over-emphasize compensatory measures and treat inadequately those measures which are designed to promote balanced economic expan-

sion.

"4. We agree with the experts that each country should prepare suitable programmes ready for adoption in case of substantial unemployment. We do not agree however that mechanical schemes for automatic compensatory changes in tax rates, social security contributions, or in other programmes, are effective or desirable means of bringing about stabilization.

"5. We agree with the recommendation that each country should adapt its legislative and administrative procedures, and its statistical services, to the requirements of a full employment policy."

With respect to international measures, the United States delegate declared:

"1. We agree with the recommendation for consultation among governments to establish a new equilibrium in world economic relationships, but prefer to use the existing machinery of the United Nations for that purpose.

"2. We favour a large and more stable international flow of investment funds, both public and private, but we disagree with the recommendation that such funds should

be provided under an automatic or formula scheme.

"3. We believe that the International Monetary Fund can play an important part in mitigating the international effects of economic fluctuations, particularly when more countries' balances of payments

are in approximate equilibrium. But we do not accept the experts' proposal that countries suffering depression be obligated automatically to deposit their currency, and that other countries have automatic drawing rights on such currencies, according to a pre-determined formula."

M. Camille Gutt (I.M.F.)

M. Camille Gutt, managing director and chairman of the board of executive directors of the International Monetary Fund, recalled that the maintenance of high levels of employment was not only one of the objectives for which the International Monetary Fund was bound, by the terms of its articles of agreement, to work, but also urgently demanded attention on account of the close inter-relationships existing to-day between all the basic economic, social and political factors.

He expressed personal doubts, however, about the effectiveness of cyclical deficit financing, partly on account of the psychological and political factors which made budget deficits much easier to attain than budget surpluses, and partly on account of the inflationary consequences which such a policy made almost inevitable.

The growth of public debt during the last 40 years had carried with it the necessity for successive depreciations, and the social dislocation created by these depreciations had to a considerable extent been responsible for the difficulties of the inter-war period and perhaps even for the war itself.

M. GUTT expressed the opinion that it was a mistake to assign absolute priorities to the objectives of full employment and the restoration of multilateral international trade. These and other objectives were so interdependent that they could not suitably

be discussed in terms of priorities.

The plan proposed by the experts for maintaining the imports of countries affected by a decline of effective demand elsewhere was open to a number of serious practical objections. It would be extremely difficult to determine with the speed that was desirable, the precise extent of the obligations incurred by countries in which depression had originated, to deposit additional amounts of their currency with the International Monetary Fund.

More important would be the difficulty of determining to what extent the decline in their imports was attributable to a diminution of effective demand. The distribution of "rights" to draw upon the currencies deposited in terms of the plan would further demand decisions in which delicate judgment would be required. Instead of a simple, automatic plan, completely controlled by simple statistical criteria, discretionary elements would in fact be of overriding importance.

M. GUTT also pointed to the administrative difficulties which would arise if the Fund were in effect asked simultaneously to administer two funds according to two different sets of principles.

In its ordinary work it had to take account of the economic situation of its members as a whole, including the effects of any decline in effective demand in other countries; and in

the event of large scale reductions of imports attributed to depression in a great importing country, its articles of agreement made it possible for the Fund to borrow further resources from the member whose currency had thus become scarce.

If it were thought proper to increase the financial resources of the Fund—a decision which might be justified by reference to the upward movement of prices in recent years—it would be better to do this in some other way than by the creation of a special fund, designed to deal with the effects of only one of the influences which affected the balance of payments of Fund members, and necessarily operating in technical and administrative conditions of great difficulty.

Sir R. Mudaliar
(India)

Sir Ramaswami Mudaliar (*India*) pointed out that the problem of full employment was one which had presented itself to all civilizations and that, if considered as an isolated problem, it was one for which it was not difficult to find a solution. But the experts tended to neglect the problems of the predominantly agricultural underdeveloped countries. He recognized the need for the Marshall Plan. He hoped that it would be successful and regretted that political advance had so far prevented its complete fruition.

Mr. Gaitskell praised the United Nations report on full employment, but the "other voices" were not in full agreement. Mr. Lubin and M. Gutt made several important reservations, and Sir R. Mudaliar pointed out that there was no plan for Asia and the Far East and other underdeveloped areas. To perpetuate existing conditions, he said, must lead to political unrest.

He nevertheless drew attention to the fact that there existed no such plan to help the less developed countries in Asia and the Far East who had also been devastated by war. As a result, he said, vast millions felt they had been asked to rely on their own limited resources, at a time when countries better able to care for themselves were being given help.

The Indian representative called attention to the growing disparity between the living standards of highly organized industrial labourers and the masses of agricultural workers. To ignore the problem of the latter, as he suggested had been done by the experts, would only increase the gap. To perpetuate conditions such as he had described, not only represented a threat to the world's economy but created conditions which must inevitably lead to political unrest.

PROBLEMS OF STABILISATION

Mr. S. R. Dennison of Gonville and Caius College, Cambridge, will address the Economic Research Council on Wednesday evening, October 4 at 8 o'clock. His subject is : "Some Problems of Stabilisation." The meeting will be held in the Angus Room, 55 Park Lane, London, W.1. Non-members may attend if they will notify their intention to the Secretary, the Economic Research Council, 18 South Street, London, W.1. (Grosvenor 4581).

Productivity : Another Comparison Between Britain and America

by Ian Mikardo, M.P.



TRADE UNIONS AND PRODUCTIVITY is the work of a team of ten union officials who went to America to discover what lessons we can learn from trade unions in the United States. It is the best and most constructive document which has yet come out of all these transatlantic peregrinations. It may even come to mark the beginnings of a revolution in British trade union practice.

The authors of **TRADE UNIONS AND PRODUCTIVITY** are obviously at pains to let us down lightly. They make all the due reservations about the natural advantages which American trade unions have over our own. They urge, quite rightly, that the United States unions have much to learn from the British, especially in the sphere of political action. But there is no mistaking their firm final judgment, which is that trade unions in America are something like half a century ahead of ours.

The essential elements of American superiority are five in number, as follows :

(1) The American unions give their locals (i.e. branches) much more autonomy than we do. They encourage the branch officials to stand on their own feet, and to use the qualified headquarters personnel only as back-room boys.

Because of this, the branch is an effective working unit. It negotiates directly with employers, and is free to make the best bargain it can, without being limited by an industry-wide agreement which can reflect no more than the ability-to-pay of the poorest firms in the trade.

It is this "dispersed" wage-pressure which forces the less efficient firms to improve their efficiency, and hence creates that narrow gap between the best and worst firms which is the main reason why productivity is higher in America than in Great Britain.

(2) Indeed, the American unions make it their major objective to raise the efficiency of below-average plants. They see this as their proper function in a period of prosperity ; but they recognise that this function may change in a period of depression.

In the Event of Depression

If that happens, and if the unions "have to rely on forces other than competition to maintain increasing productivity," i.e. if they have to take part in the operation of a planned economy, the tools they have created for their present function will enable them to become active partners of government agencies.

(3) Those tools of union activity are more in number and better in

effect than those used by British unions. This is because the American unions are not afraid to adopt unorthodox measures, and still more because they're not afraid to spend money.

They spend money on educating their members, not merely through schools and lecture courses, but also by making films and running broadcasting stations. One union spends four shillings per annum per member on educational services, and all of them prefer to run their own services rather than rely on those provided by other agencies.

This contrasts sharply with the practice over here, where it would be almost unthinkable for any union to spend £250,000 a year on members' education, and where the unions, whilst talking loudly about the need for management education for their active members, are only too glad to see courses, whether suitable or not, provided by the local authorities or other agencies.

Paying the Piper

(4) The American unions spend money, too, in many other ways unknown over here, notably in paying top-ranking salaries to top-class personnel.

(5) American trade unionists have a sensible approach to what is called "scientific management." They neither condemn it nor stand in awe of it. They recognise it for what it is. They accept time-and-motion-study, for example, as an inexact technique which is nevertheless a useful basis for negotiation and joint consultation.

And because they use it in this way, they have in practice developed joint consultation much further than we have, for their joint bodies (with as

Ten trade unionists who have been to America have produced a report which may mark the beginning of a revolution in British trade union practice. It remains to be seen whether the movement will wake up to its responsibilities, now that specific recommendations have been made from a source which has the blessing of the T.U.C. General Council.

many high quality experts on the union's side as on the management's) agree on operation studies, job evaluations and costing, and for this purpose obtain access to the employers' accounts—an advance which very few British joint consultative committees have achieved.

From these five points of superiority of the American unions over the British, the authors of *TRADE UNIONS AND PRODUCTIVITY* derive a series of challenging recommendations to the British trade union movement. Some of them, such as the suggestion that production engineering departments should be set up by the T.U.C. and the major unions and the workers' sides of joint industrial councils, have already been canvassed at various times without receiving any support.

(In one industrial council, the sixteen unions on the workers' side wouldn't consider finding £100 a year each to pay the wages and expenses of a full-time secretary!)

But we shall have to see whether any better reception is given to these recommendations now that they come from a source which has the General Council's blessing.

Price Subsidies

Summarizing an Australian discussion, in which the verdict goes against price subsidies

TWO main arguments which are advanced in favour of subsidies are :—

(1) To protect the lower incomes from the impact of rising living costs by the payment of subsidies on essential consumer commodities.

(2) To offset the cumulative, spiralling, inflationary effects which arise in the Australian economy because of the nexus between wages and prices under the quarterly cost-of-living revisions. This is easily the most potent argument.

The arguments against the use of price subsidies to prevent inflation are, however, overwhelming.

(1) In the absence of other measures, subsidies can only ameliorate

the wage—price movement ; they cannot prevent it. They do not tackle the problem of inflation at the source ; in effect, they accept the existence of inflation and endeavour to offset its impact on the price structure.

They, therefore, tend to divert attention away from the real basic remedial measures which must be taken if inflation is to be overcome. They are no substitute for strong measures to deal with the root causes of inflation. *They tackle the symptoms of the disease, not the disease itself.*

(2) They are a negation of the free price market, and therefore mean the abandonment of the advantages which the free price market has to offer in the way of securing the most economic distribution of resources, of encouraging the production of commodities in scarce supply, and of providing maximum incentives to efficiency.

Effect on Costs

(3) The amount of subsidy tends to be based on the costs of the least efficient producer and there is thus little incentive for the more efficient producers to raise their efficiency and lower their costs. Since producers know that rises in costs will be covered by subsidy, the incentive to reduce costs and thus prices is weakened. *It is almost elementary in economic theory that subsidies inevitably tend to result in high costs of production in subsidised industries.*

(4) They require a complicated and extensive administrative machine if they are to be effectively administ-

Subsidies are intended to protect the poor against rising prices—and in Australia—to offset wage increases based on cost-of-living revisions. In fact these subsidies divert attention from the problem of inflation and undermine the free market. Costs and prices rise, and manpower and materials are diverted to secondary industries. In Britain, money is released for "football pools, gambling and trumpery types of spending." Subsidies are wasteful because they help the rich as well as the not-so-rich ; they add greatly to government spending and, therefore, to taxation. In short, subsidies are inflationary rather than disinflationary.

ered—otherwise the scope for serious abuse would be considerable. Since the virtual abandonment of subsidy payments and the relaxation of price control, it is doubtful whether this machine any longer exists.

Moreover, since authority for subsidies rests with the Federal Government, and authority for price control with six different State Governments, the basic requirement for a single controlling authority, is lacking.

(5) Since any claim for an increased subsidy requires rigorous scrutiny of the costs and profits of the producer or industry making the claim, the whole process of price adjustments, and therefore of business and trading, becomes slow and cumbersome.

Decisions Pending

When subsidies were in operation, delays in obtaining price approvals frequently amounted to more than three, and sometimes as much as six, weeks. This meant that merchandise, which would otherwise have been immediately available to the public, had to be withheld from sale pending decisions by the prices authorities.

(6) *Because subsidies are, of necessity, concentrated on essential commodities the prices of those commodities are held down by comparison with the prices of non-essentials, and manpower and materials are diverted to the latter fields instead of to where they are needed most.* This result also follows from the fact that because the prices of the necessities of life are kept down, people have more to spend on the non-essentials or on the luxuries.

"Trumpery Spending"

The effect of the gigantic food subsidies in Great Britain in releasing money for football pools, gambling, and trumpery types of spending is notorious. The present mal-distrib-

ution of labour and resources between industries is retarding Australian development and is one of the most serious aspects of the Australian economy.

What Form of Assistance?

(7) *Subsidies are a wasteful form of assisting the lower income groups because they also assist the higher income groups which are not so much in need of assistance.* It would be far more sensible to provide assistance for the lower income groups by special family allowances or by increasing pensions and in other ways

(8) *Subsidies add greatly to the costs of government expenditure and, therefore, increase taxation.* Subsidies, thus, have certain inflationary tendencies; firstly because they reduce incentives at a time when greater production is urgently needed; and, second, because they make the attainment of a disinflationary budget surplus more difficult.

How Food Subsidies Affect Prices

United Kingdom 1950—1951

Commodity		Increases in average prices required to eliminate subsidies			
		Home			
		Unit	Production	Imports	
			s. d.	s. d.	
Bacon	...	lb.	1 6½	7½	
Bread...	...	3½lb. loaf	5½	5½	
Flour (other than for bread)	...	7 lb.	1 1	1 1	
Shell Eggs	...	doz.	1 5½	3½	
Meat	...	lb.	1 4	5	
Milk	...	quart	2½	—	
Butter	...	lb.	1 0½	1 0½	
Cheese	...	lb.	9½	9½	
Margarine (domestic)	...	lb.	—	4	
Lard & Cooking fat (domestic)	...	lb.	—	2½	
Potatoes	...	7 lb.	2	—	
Sugar (domestic)	...	lb.	1½	1½	
Tea	...	lb.	—	9	
Miscellaneous	...				

Minister of Food, Hansard, July 10, 1950

Thumbs Down for Price Support

Producers of apples, oranges and potatoes pass vote of no confidence in U.S. farm-price guarantees

THE Wall Street Journal of June 16 carried a brief news despatch from that newspaper's Boston Bureau which seems deserving of wider notice:

Boston — The apple industry believes its future lies in more aggressive promotion and opening of new markets, rather than in a government price support programme.

Individualistic growers of Delicious, "Macs", Jonathans, Baldwins and other varieties gathered here for their national convention this week, urged crop support people in Washington to forget the apple industry if they have any plans for extending the programme in their direction.

Apple growers fear and would keenly resent government intervention said John Chandler, president of the National Apple Institute. If the Government should support the price of apples the whole effort of the industry to stimulate greater use of the fruit would go by the board, he declared

This item calls to mind another story which appeared in the Wall Street Journal of March 6—a despatch from Correspondent Robert K. Pepper, from Lakeland, Florida, giving an account of the prosperity reigning among Florida citrus growers resulting from the unusual combination of a good crop of oranges selling at the highest prices in history. (In the past, years of good crops have generally meant discouragingly low prices).

Commenting on this happy combination for the orange growers, Mr. Pepper continued:

What's behind this striking prosperity in an industry plagued for many years by chronic over-production and low prices? More than anything else, it's the frozen juice boom. Having started from scratch just five years ago, producers of the cold concentrate are absorbing one-third of Florida's 60-million box 1949-50 orange crop.

All very interesting, the reader may interject, but what has this story of orange juice go to do with the problem of apples and government price supports?

Sponsored Programmes

We suggest that it has a lot to do with it, and that the editor of the Wall Street Journal put his finger on the spot when, in commenting on Mr. Pepper's despatch, he wrote:

Contrast this story of oranges with some of the government sponsored programmes in other farm products—potatoes and eggs are the prime example—where the government has stepped in with something that the sponsors are pleased to call a "stabilization" programme.

It is possible that if oranges had been "stabilized", some inventive soul would still have found out about frozen concentrate. But that is doubtful. It is doubtful because

the compelling incentive to find a new marketing device would have been absent.

At a time when Congress has just authorised another 2 billion dollars for farm price supports (after having tied up 4 billion already) and when the Department of Agriculture, according to a Department spokesman, plans to announce new support prices "as soon as it gets the money to guarantee these prices," it is refreshing to read a declaration of independence by one segment of agriculture, which believe that its future lies not in reliance on government price-pegging schemes but in a programme of "aggressive promotion" and "opening of new markets"—in other words, in the kind of a programme, including pricing, that will encourage people to eat more apples.

Moreover, the apple growers are not the only farm group to reject the principle of farm price supports, with all the paraphernalia of government controls of production and marketing that goes with them.

A year ago California potato growers voted thumbs down on signing up for the potato support programme, preferring to hang their hopes on the quality of their product in a competitive market. As one grower expressed his sentiments, "Those who can't grow potatoes that will sell shouldn't be in the business." According to another big California grower—

Competition is what made this area. It forced us to improve. We experimented with the new commercial fertilizers when they came out, cracked down on the grading and turned out the cleanest pack ever known. Under marketing controls these things just don't come about. Our methods will continue to improve and we'll give the consumer the best potato

for his money—so long as we're left alone.

Similar action was taken by Maryland poultry raisers this year in voting against federal price supports on commercial broilers. Here, as in the case of the California potato growers, the objections to the programme were the encouragement given to inefficient producers, with resulting oversupply, and dislike of production and marketing quotas regarded as "regimentation".

Farmers Don't Like It

There have been still other instances of farm groups either rejecting price supports altogether, or—as in the case of the American Butter institute—asking reduction of supports to more realistic levels that would tend to keep supply and demand in better balance. Both of the two largest farm organizations—the American Farm Bureau and the National Grange—have declared themselves in favour of flexible price supports, and in opposition to the present 90 per cent. of parity under which excess supplies have been accumulating.

Yet the Administration continues to press Congress for passage of the Brannan plan, which would allow prices of perishable farm commodities to find their free market level, but would guarantee farmers their "parity" income from the U.S. Treasury. Apart from the unknown cost of such subsidies, such a programme would call for still more of the quotas and regimentation against which the farmers are objecting and rebelling.

Equally objectionable, farmers would become increasingly dependent upon cheques from Washington for their net income, and as Allan Kline President of the American Farm Bureau Federation has so aptly put it, "a dollar seldom travels to Washington and comes back whole."

Economic Needs of Asia

The Korean affair emphasizes the critical importance to Western Civilization of Asia's well-being

THE year 1949 has been one of significant developments in Asia and the Far East. It may mark the end of the first phase of the slow and painful post-war recovery paving the way for a more promising future.

Except in China (where there was a set-back owing to disturbed conditions), there has been an over-all improvement in mineral and industrial production, as well as in transport and to a lesser extent in agricultural production. The recession in late 1948 and early 1949 in the United States, which threatened to disrupt the price structure of some of the countries in the Far East, was fortunately short-lived.

Chain of Events

One of the most outstanding events was the chain of devaluations, which exerted a favourable influence on the general economic conditions of Asia. Plans for economic development, which had been somewhat unrealistic in the past, were reviewed by most countries. Sound planning is still a basic, and perhaps the greatest, task to be achieved initially in the region's struggle for economic development.

Preliminary reports show a 2 per cent. decrease in agricultural production in 1949, as compared with 1948, or 8 per cent. below pre-war as compared with 6 per cent., in 1948. But if China is excluded, the region's agricultural production appears to have improved over 1948. Rice production rose by 1 per cent., there was

an increased output of wheat in many countries, and coarse grains maintained their 1948 level. Oilseed production in 1949 showed an increase for the whole region, including China, as compared with 1948. In other crops, such as sugar, tea, and raw cotton, China's output declined in 1949.

The most disquieting feature is the low level, both absolute and relative, of agricultural output. Despite the legitimate ambitions of Asian countries to diversify their economies and to promote industrialization, the pressure of economic factors has tended to bring to the forefront the problems of mere subsistence. The restoration of agricultural production not only to pre-war levels, but to pre-war per capita consumption levels, is singly the dominating problem.

In the sphere of international trade, 1949 registered a further advance over 1948. The total value of trade of the region (excluding Japan, China, Nepal and British Borneo) was 6 per cent. above that of 1948 in spite of the temporary recession in the United States, which affected the export of rubber, tin and other materials, and the practical cessation of trade between India and Pakistan towards the end of 1949.

The 1949 trade was, in fact, 125 per cent. higher than that of 1938, but apart from the registering of Indo-Pakistan trade after partition, this was mainly due to price rise. There was a greater increase in imports than in exports, resulting in an import

surplus larger than in 1948. The trade deficit for the whole region grew from 1,262 million dollars to 1,767 million dollars (though Japan's deficit declined from 424 million dollars to 355 million dollars). Eighty per cent. of the trade deficit in 1948 and 85 per cent. in 1949 was incurred by India, Japan, the Philippines and Korea.

Financing the Deficits

The deficits in the balance of payments, arising mainly from the large import surplus, have been financed by external loans, aid and finance of one type or another. For China, Korea and the Philippines, direct United States aid programmes and loans have been the principal source. For Ceylon, India and Pakistan the sterling releases by the United Kingdom have played an equally important part. (Such releases are not to be considered as on par with loans and grants, although they have more or less the same immediate effect on the balance of payments position of these countries). For Indonesia and Indochina credits extended by the Netherlands and France have been the chief sources of finance.

Contributing to the increase in the balance of payments deficits was also a marked increase in dollar deficits, to which India among the sterling area countries and the Philippines among the non-sterling area countries contributed the major share. The sterling area countries had a combined dollar deficit of 68 million dollars while the non-sterling area countries had a deficit of 570 million dollars.

Various measures (devaluation, and export, import and exchange controls) have been taken to relieve the dollar deficits; but continuance of external aid seems necessary. The dollar deficit, however, is only part of the

The dominating problem is to restore agricultural production. Although the region is chiefly agricultural it was able to contribute (with one half of the world's population) less than 33 per cent. of the world's food production, as compared with 55 per cent. before the war. Imports of food grains and textiles for essential needs may not require such large expenditures in 1950 as they did in 1948 and 1949, but the region is not in a position to dispense with large imports. In the face of these and other facts, "it would be totally unrealistic to talk in terms of a rapid increase in the standard of living and welfare of the peoples of Asia and the Far East."

problem of the over-all balance of payments deficit, and measures adopted merely to relieve the hard currency deficit can only be a partial solution. The close association of the majority of the countries of the region with Europe in the past suggests *prima facie* that a partial solution may lie in exploring ways and means of strengthening the economic and financial relation with European countries.

Japanese Trade

It is true that the pattern of trade of ECAFE countries has undergone a significant change since the war. The United States has become a more important supplier, thereby reducing the share of Europe and Japan in total trade. But already dependence on U.S. aid is declining. Exports from Japan to ECAFE countries increased by about 80 per cent. in 1949 and

imports by 67 per cent., compared with 1948. The recovery of production in Europe may also be expected to lead to an increase in trade.

Before and After

A return to pre-war patterns of trade is not to be expected immediately or even in the course of time. To the extent that the world's balance of economic power has shifted and that the demand for U.S. goods has increased, some modifications of the pre-war patterns must be accepted as permanent. But there is considerable scope for the expansion of trade with Japan and Europe.

The mobilization of domestic resources and the attraction of foreign capital for investment are hardly possible while political disturbances prevail. National income in all ECAFE countries is small, very small in absolute amounts. The slight improvement in production is largely the result of external aid. Development plans may be hindered by lack of financial resources.

Although imports of food grains and textiles for essential needs may not require such large expenditures in 1950 as they did in 1948 and 1949, the countries in the region are not in a position to dispense with large imports, a good deal of which still come from the dollar area. There is a long way to go before most of the countries can balance their receipts and payments although dollar earnings have increased since the latter part of 1949, when demand for rubber and other major products of the region increased.

Aspirations for development and for social welfare are very much in evidence. But it is not yet possible to say that agricultural and industrial production and opportunities of employment will increase faster than the populations of the countries of the

region, which are likely to continue to grow at a rate exceeding 1 per cent. per year.

Meantime, the region's share in the distribution of world income has diminished. Although the region is predominately agricultural, it was able to contribute (with one-half of the world's population) less than 33 per cent. of the world's food production as compared with 55 per cent. before the war. Its contribution to world production of natural fibres has declined from 40 per cent. to less than 30 per cent. Per capita consumption of food, essential consumer goods and durable goods is declining. In contrast with other regions of the world, even pre-war food consumption levels remain a distant goal. Per capita consumption of cotton textiles in the region was less than 1.5 kilogrammes in 1949 against about 2 kilogrammes before the war.

The Real Truth

In the face of these facts, particularly the low level of savings and capital formation, it would be totally unrealistic to talk in terms of a rapid increase in the standard of living and welfare of the peoples of Asia and the Far East. In the next five years, it will take all the available resources of the region to ensure maintenance of per capita and consumption levels. Even this limited goal cannot be attained without continuous and systematic efforts by the peoples and governments concerned supported and encouraged by countries outside the region which are in a position to grant loans and other forms of aid, and not least by the United Nations.

NOTE: The term "ECAFE region" is used in reference to the more restricted group of countries covered by the terms of reference of the Economic Commission for Asia and the Far East (ECAFE) viz. British North Borneo, Brunei and Sarawak, Burma, Ceylon, China, Hong Kong, India, Indo-China, Indonesia, Korea, Malaya and Singapore, Nepal, Pakistan, Philippines, Thailand. These countries, together with Japan constitutes the "wider region" (AFE region).

Bigger Business Defended

by Charles Sawyer
(U.S. Secretary of Commerce)

WE must ask ourselves this fundamental question. When everything else in America is getting bigger, shall we expect business to get smaller? And if we expect or wish it to get smaller, why?

In comment upon the first question, it is proper to point out that every economist giving thought to our future progress emphasizes the need for a continually growing national product. Our population is growing, our number of employables is growing; to meet the needs of our population and give work to those who want it, business must grow.

If growth is desirable generally, is it undesirable in particular places and how can we prevent it or why should we want to prevent it? There is nothing sacrosanct about a corporation—big or little—nor is business entitled to any special privileges. If, however, we undertake to interfere with the processes of growth, some inquiries are in order.

Business, as I have said before, is somewhat like the human anatomy. It is an organism, tough to be sure, but in many ways very delicate. I, myself, recently experienced a major operation and therefore may be particularly sensitive to the questions which should be asked before an operation is undertaken. An oper-

ation is always risky.

What are the symptoms which indicate a malfunction? Specifically, what is wrong? We hear occasionally the statement that concentration of economic power is destroying our liberties. It is proper to ask what liberties are being destroyed. We hear that small business is being crushed out. What businesses are being crushed out?

What's Wrong?

Let us continue specific questions. In what way is our business body not functioning properly? Is it failing to maintain or raise our standard of living? Is it selling its products at fair prices? Is it giving employment at good wages? Is it considering the welfare of its employees? Is it earning money for its shareholders? Is it contributing its share of taxes for the support of the government? Is it doing its part in time of war?

These and many other questions should be asked and asked searchingly. They should be asked and answered—first, to enable us to act, when action is necessary, on the problem of concentration; second, to dispel baseless rumours and unfounded assertions which worry many sincere and well-intentioned people.

From a speech at Milwaukee, April 13, quoted in a Monthly Letter, National Bank of New York, July 1950

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Sterling Assets of Colonies

STERLING assets of Colonial territories comprise currency funds which provide the sterling backing for local currencies, Colonial government funds held with the Crown agents for the Colonies, loans to His Majesty's Government in the United Kingdom expressed in sterling or sterling area currencies, and sterling assets held in London by banks operating in Colonial territories. These assets have shown some variation during the year and in the aggregate have slightly increased. At December 31, 1949,

they totalled some £625 million, a figure which included about £90 million of Dominion and Colonial sterling securities.

The principal holders of sterling assets at December 31st, 1949, were :

	£ million
West Africa	155
East Africa	110
Malaya (incl. Singapore and the Borneo territories)	105
Hong Kong	70

From The Colonial Territories (1949—1950), Cmd. 7950, H.M. Stationery Office, London 1950

Australia's Sterling Assets

THE following table shows approximately the extent to which internal and external factors have been responsible for adding to Australia's money supply :—

It is clear that, from 1946 to 1949, the main influence leading to a larger volume of money in Australia was from overseas ; higher " London Funds " following large export surpluses and capital inflows. Bank lending and purchase of securities added only about £(A)91 millions over the four years, whereas higher

	Bank Loans (a) £(A)m	Securities and Treasury Bills Held (b) £(A)m	"London Funds" £(E)m
1946 June	259	1,208	202
1947 June	336	1,138	207
1948 June	424	1,124	253
1949 June	483	1,075	393
1950 May	567	1,145(c)	498

(a) All cheque-paying Banks, including Commonwealth Bank.
 (b) All cheque-paying Banks, including Commonwealth Bank and Savings Banks.
 (c) Includes a rough estimate for Government securities held by Savings Banks.

" London Funds " added no less than £(E)191 millions.

From Monthly Summary, National Bank of Australasia, July 12, 1950

THE STARS LOOK DOWN

In the Territorial camp from which I have just returned the civilian barman employed in the officers' mess was drawing—thanks to the Catering Wages Act—considerably more pay than the colonel. This, I believe, is what is known as Social Justice.

Strix, writing in The Spectator, London, August 18, 1950

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The House of Baring

by Ralph W. Hidy

IN this decade capital has been flowing from America to Britain, to bolster up an economy fallen on evil times. It is good to hark back to a period when capital moved in the opposite direction, not to buttress an old but to create a new economy. The parallel is further inexact in that the 20th century loans are a state diversion of taxpayers' money, while the 19th century funds to build railways and banks and to finance infant states in the New World were private capital, canalized by the merchant bankers of London.

The house foremost in the American investment field 100 years ago is the subject of this well-documented, 480-page treatise by Mr. Hidy. The book deals with the period up to 1861, and therefore stops short of the famous "Baring Crisis" of 1890, which took place at a time when Barings had ceased to hold pre-eminence in this field.

The Foundations

"The firm", Mr. Hidy writes, "has been the chief economic resource and now stands as probably the most enduring achievement of a very able and distinguished family. Founded by an emigrant from Germany in the first quarter of the eighteenth century, the English family became, in less than a hundred years one of the leaders in the financial and landed aristocracy of the United Kingdom. In the twentieth century at one time the Barings could point with pride to

two baronies and two earldoms conferred as rewards for service to the people of England and the British Empire."

"For a time between 1828 and 1861 the financing of American trade and the marketing of American securities constituted the major interest of the House of Baring. Though American potentialities had increasingly attracted the attention of the partners from the 1790's onward, the firm's chief concern lay in European trade and finance prior to 1828.

On to America

"For the next fifteen years American trade and finance dominated the activities of Baring Brothers and Company. Until the American Civil War the firm was the leader among those merchant bankers known as 'American houses' in London, but after 1843 its preoccupation with the affairs of the United States declined in relation to its operations in other areas."

Towards 1829, the crying need for capital in America was expressed in the relatively greater market rates for money in Boston than in London. The House of Baring, which had already extended credits to both individuals and institutions in America, appointed in that year their own resident agent, Thomas Wren Ward of Boston.

For nearly 30 years Ward represented Barings throughout the U.S. He held to the dictum, once given to a man who suggested that

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his principals would gain from their inside political knowledge:

"Sir, the question is not what profit they may make, but what it becomes the House of Baring to do."

This, the "decent thing" in its strict sense, was the lodestar of policy of a house whose prestige grew to proportions almost majestic.

One of the first tasks was to evolve a credit classification, since no international rating body was yet in existence. It says a great deal for Ward's insight and knowledge that the storms of 1836, 1839 and 1847 were weathered with added confidence in the house.

The Barings' operations were of three kinds:—

(1) Commercial credits for the purchase and sale of goods.

(2) Financial credits for exchange

of bills, remittance of specie or bullion, or purchase and sale of securities.

(3) Operations on their account and as mercantile agent.

The chief commodity in terms of turnover was cotton, while in the reverse direction of trade, iron rails and railway castings were the most important economically.

Widespread Interests

Thus the Barings interested themselves in every aspect of the nascent American economy. Their services were demanded by private merchants, shipping lines, state treasuries, federal departments, local and Union banking corporations, and not least of all the railways entering their roaring era of construction.

The House was instrumental in issuing to British capitalists the bonds of nearly every State in the Union, and when in 1842 a large number of States defaulted on interest payments, it was the firm action and sound finance of the Barings which brought order instead of bankruptcy to both sides.

In the epilogue to this fascinating story, Mr. Hidy writes:

"Capacity to Adjust"

"Flexibility and capacity to adjust to changing conditions have characterized the House of Baring to the present day. Under the name of Baring Brothers & Company, Limited, it continues to occupy an honourable place in the City, which was until recently the financial crossroads of the world.

"The firm has survived innumerable political changes in Britain and elsewhere, two World Wars and several smaller ones, and all the economic crises which seem to accompany the fluctuating behaviour of human beings."

A.B.C.

SHORTER BOOK NOTICES

NATIONAL TRANSPORTATION POLICY

Charles L. Dearing and Wilfred Owen (Brookings Institution, Washington, and Faber and Faber, London, 4 dollars)

This is a study of America's transport problems, which turn out to be more like Britain's than one would have expected. For example, "railroads in serious financial difficulty," the need for "co-ordination of transportation", and the sheer impossibility

of leaving the matter to settle itself in uncontrolled competition because of strategic considerations, all have a familiar ring. But this book can only interest specialists outside the U.S.A.

UNITED NATIONS AFFAIRS

(New York University Press and Geoffrey Cumberlege, Oxford University Press, 40/-)

The title is slightly misleading, for this is not an official U.N. publication, but a record of the proceedings of the first New York Institute for Annual Review of the United Nations. Because it is not official, however, it gives welcome scope for a critical if sympathetic approach.

The book is comprehensive and informative, yet open to the criticism that belongs to verbatim printing of speeches and subsequent discussion. One has the impression that the United Nations Organisation has so far been much more busy than effective.

THE SOCIAL CRISIS OF OUR TIME

Wilhelm Roepke (William Hodge & Co., London, 15/-)

Professor Roepke has a well-founded reputation throughout Europe and America as a deep thinker, indeed something of a prophet in political science. This book will maintain his reputation. Although only just published in English, it was written in 1941 when little but question marks could be seen by the author from his retreat in Switzerland. And that is an advantage because the conditions favoured study of a civilisation that was perhaps on the edge of collapse. But the book has not been "Anglicised," and

straight translation from the German makes it hard going. The author holds that "the time is ripe for a new type of economic programme which does not fit into any of the usual patterns—an economic policy which is in one sense conservative, and radical in another equally definite sense." Professor Roepke would not like his essay to be described as 'Liberal Socialism', but it has as much right (or as little) to be so described as Professor Meade's last book, in which the phrase was used as a sub-title.

EXCHANGE AND TRADE CONTROL IN THEORY AND PRACTICE

H. E. Evitt (Pitman, London, 12/6)

This second edition of a book published in 1945 has been revised and brought up-to-date. As the author says in the preface, it presents in ordinary language the basic principles which underlie any

system of control of a nation's external finances. It will assist the banker, the trader and the student to clarify his ideas on a very complex and highly technical subject.

WORTH READING

Population Census Methods. *United Nations, Lake Success, November, 1949.* A survey of methods used in recent censuses of 53 countries.

The Economic Development of Latin America and Its Principal Problems. *United Nations, Lake Success, 1950, and—*

Continued Overleaf

Agricultural Requisites in Latin America. *United Nations, Lake Success, 1950.*

These two publications have special interest in view of the general discussions of the problems of underdeveloped countries.

General Agreement on Tariffs and Trade. *First Report on the Discriminatory Application of Import Restrictions. Geneva, March, 1950.* A general survey of such restrictions and their effects.**First Annual Report on Exchange Restrictions.** *International Monetary Fund, Washington, March 1, 1950.* Part I gives a general account of the form of restrictions, their rise and the conditions of their removal. Part II presents a brief country by country description of the exchange restrictions maintained by member countries of the I.M.F.**Grain.** *FAO Commodity Series No. 18. Washington, May 1950.* Up-to-date information on the world grain situation and outlook. A chapter is included on the principal trends during the past half-century and another deals with Europe's grain problem. In addition to the usual statistics, special tables show trade by source and destination for each of the principal grains.**Cocoa.** *FAO Commodity Reports, Washington, June 26, 1950.* A short survey of the world cocoa situation.**On the Calculating of Cost-of-living Index Figures.** J. ROSEN. *Kyklos (International Review for Social Sciences), Vol. III. 1949 A. Franke A.G., Bern.***The Dollar Shortage and Devaluation.** R. F. KAHN. *Economia Internazionale, February, 1950.***Australian Timber.** *Monthly Summary, National Bank of Australasia, Ltd., Melbourne, July 12, 1950.***Unions in Western Germany.** Roger Wagenfuhr, *Socialist Commentary, London, August 1950.* The author is on the staff of the Economic Research Institute of the German trade unions in Cologne, and would like to see Germany follow Britain's Labour-Government lead.**Maintenance of Full Employment.** Richard Ramsgate, *Socialist Commentary, London, August, 1950.***Labour in Nationalised Industries.** Hugh Clegg, *Fabian Research Series 141, Fabian Society (London) and Victor Gollancz, Ltd., London, July, 1950.* An interim report of a Fabian group which seeks to make workers feel that they are a vital part of industry without, however, introducing workers' control or joint control.**Income Distribution Changes in Different Countries.** Dr. K. G. Hagstroem, *Quarterly review of Skandinaviska Banken, Stockholm, July 1950.* Primarily a study of changes in Sweden.**The Fiscal Commission's Report.** *Eastern Economist, New Delhi, July 21, 1950.* Principal recommendations of Commission appointed by the Government of India, covering the whole range of industry, commerce, full-employment, housing, population, propaganda, etc.**Benelux.** Professor P. Kuin, *Progress (Lever Brothers and Unilever, Ltd.), London, Summer, 1950.* An optimistic assessment of prospects.**A Perspective of Taxation.** Frank Bower, *Progress (Lever Brothers and Unilever Ltd.), London, Summer 1950.* A forceful presentation of industry's case by an experienced business administrator.

The ECONOMIC DIGEST

INDEX TO FIRST PART OF VOL. III.

(JANUARY TO JUNE, 1950)

TITLE.	PAGE NO.
AFRICA , Shadow Over, <i>Professor S. Herbert Frankel</i>	70
AGRICULTURE, Expanding Production of, in Britain, <i>J. A. Raeburn</i> (See also "Britain")	214
AGRICULTURE Food and: Dollar-Saving Plan for Europe, <i>O.E.E.C.</i> (See also "Food" and "Dollar-Saving")	82
AGRICULTURE, Food and: Fodder Supplies in Europe, <i>F.A.O.</i> (See also "Food" and "Europe")	81
AGRICULTURE, Food and: World Conditions and Prospects, <i>F.A.O.</i> (See also "Food")	78
AGRICULTURE, Progress of, in Russia, <i>Alexander Baykov</i> . (See also "U.S.S.R.")	229
ATLANTIC UNION. Challenge of, <i>J. S. Schreiber</i>	244
AUSTRALIA: Fears for the Future, <i>National Bank of Australasia, Ltd.</i>	258
AUSTRALIA: Immigration Problems and Prospects, <i>W. D. Borrie</i> . (See also "Immigration")	237
AUSTRALIA, Milk Bar Economy of, <i>Manchester Guardian</i>	257
 BALANCE OF TRADE , Productivity and, <i>Professor Ely Devons</i> . (See also "Output" and "Productivity")	266
BRAZIL , An Expanding Economy, <i>George Wythe, Royce Wright, Harold Midkiff</i>	43
BRITAIN and America: Politicians Are Dodging These Questions, <i>McGraw Hill Publishing Co., Inc.</i> (See also "U.S.")	55
BRITAIN : Direction of Exports, <i>H.M.S.O.</i>	215
BRITAIN , Expanding Agricultural Production in, <i>J. A. Raeburn</i> . (See also "Agricultural Production")	214
BRITAIN , The Next 12 Months in, <i>symposium</i>	200
BRITAIN : Prospects for 1950, <i>C. F. Carter and R. C. Tress</i>	1
BRITAIN'S THREE WORLDS , <i>Sir Oliver Franks</i>	49
BRITISH RAILWAYS , Target for, <i>Professor Gilbert Walker</i> . (See also "Transport")	86
BUDGET , Background to the, <i>Roy Harrod</i>	193
BUFFER STOCKS Schemes, Conditions of Success, <i>R. S. Porter</i>	114
 CANADA , Industrial Development of, <i>Canadian Bank of Commerce</i>	206
CANADA : No Future as 49th State, <i>R. Keith Jopson</i>	39
CANADA : Overall Surplus Hides Dollar Deficit, <i>Bank of Montreal</i> . (See also "Dollar Deficit")	255

CAPITAL CUTS, Profits Taxes Mean, <i>Three Banks Review</i> . (See also "Taxes")	124
CEYLON, India, Pakistan, Plan Big Developments, <i>Commonwealth Economic Committee</i> . (See also "India" and "Pakistan")	73
COAL: Strategy for Exports, <i>H. H. Merrett</i>	204
COAL Surplus, Europe Reports, <i>Michael L. Hoffman</i> . (See also "Europe")	205
COMMODITIES Still in Short Supply, <i>C. F. Carter</i>	224
COMMODITIES, Surplus, Snags in Marketing, <i>D. J. Morgan</i>	207
COMMODITY PRICES, Lower, Are Coming, <i>The Times</i>	75
COMMONWEALTH Trade, New Directions for, <i>Commonwealth Economic Committee</i> . (See also "Trade")	38
CONSUMER SPENDING, Changes in, <i>U.N.</i>	225
COTTON SPINNING: Why U.S. is More Efficient, <i>Productivity Council</i> . (See also "U.S." and "Production")	226
CRIPPS Crisis Policy Can Succeed, <i>G. D. N. Worswick</i>	5
DEFENCE, International, Costs of, <i>J. L. Gibson</i>	176
DIESEL ENGINE Cuts Transport Costs, <i>The Statist</i> . (See also "Transport")	270
DISCRIMINATION, Double Pricing Is, <i>The Statist</i> . (See also "Double Pricing")	40
DOLLAR and Rouble Prices Compared. (See also "Rouble")	231
DOLLAR CRISIS, What a Real One Would Mean, <i>Graeme Dorrance</i>	145
DOLLAR DEFICIT, Canada's Overall Surplus Hides, <i>Bank of Montreal</i>	255
DOLLAR PROBLEM, Co-operation Can Solve, <i>Professor Douglas Copland</i>	8
DOLLAR PROBLEM: Is American Investment the Answer? <i>E. Devons</i> . (See also "U.S. Investment" and "Investment")	97
DOLLAR-SAVING Plan for Europe, <i>O.E.E.C.</i> (See also "Food" and "Agriculture")	82
DOLLAR SURPLUS, Towards a Sterling Area, <i>Graeme Dorrance</i> . (See also "Sterling Area")	223
DOLLARS and Pounds for South Asia, <i>Manchester Guardian</i> . (See also "Sterling" and "South Asia")	227
DOLLARS Don't Build Bridges, <i>George C. McGhee</i>	245
DOUBLE-PRICING is Discrimination, <i>The Statist</i> . (See also "Discrimination")	40
ECONOMIC CHANGES, Major, in 1949, <i>U.N.</i>	148
ECONOMIC PROBLEMS, Five Lectures on, <i>George J. Stigler</i>	139
ECONOMIC THOUGHT, Trend of Anti-Truman, <i>Harry Krock</i>	67
EGYPT: More Facts Needed on Sterling Balances, <i>National Bank of Egypt</i> . (See also "Sterling Balances")	106
EMPLOYMENT, Full, Maintaining, <i>U.N.</i>	177
EMPLOYMENT, Full, National and International Plans for, <i>U.N.</i>	130
EMPLOYMENT, Full, Wages in, <i>Lloyds Bank Review</i> . (See also "Wages")	262
EMPLOYMENT, Why Overfull is Uneconomic, <i>Professor A. C. Pigou</i>	7
ERHARD, Ludwig, Germany's Economic Chief, <i>Fortune</i> . (See also "Germany")	34
E.R.P. COUNTRIES, U.S. Imports from, <i>E.C.A.</i> (See also "U.S. Imports")	25

INDEX, 1950

iii

ERP, Half-Time Score, <i>O.E.E.C.</i>	172
EUROPE, Fodder Supplies in, <i>F.A.O.</i> (See also "Food" and "Agriculture")	81
EUROPE Heading for Over-Production of Steel, <i>E.C.A.</i> (See also "Steel")	120
EUROPE Reports Coal Surplus, <i>Michael L. Hoffman.</i> (See also "Coal")	205
EUROPE: Russia Frustrates East-West Trade Plans, <i>Michael L. Hoffman.</i> (See also "U.S.S.R.")	232
EXPORTS, Too Many Manufactured? <i>Italian Economic Survey</i>	153
 FACTOR. The Forgotten, <i>Graeme Dorrance</i>	241
FARM PRICE-SUPPORT: U.S. Programme Goes Haywire, <i>National City Bank of New York.</i> (See also "Price Support" and "U.S.")	209
FARM PRICES: Support Costs America 1,400 Million Dollars, <i>National City Bank of New York.</i> (See also "U.S.")	116
FERTILIZERS, Rising World Production of, <i>F.A.O.</i> (See also "Production")	41
FOOD and Agriculture: Dollar-Saving Plan for Europe, <i>O.E.E.C.</i> (See also "Agriculture")	82
FOOD and Agriculture: Fodder Supplies in Europe, <i>F.A.O.</i> (See also "Agriculture" and "Europe")	81
FOOD and Agriculture: World Conditions and Prospects, <i>F.A.O.</i> (See also "Agriculture")	78
FOOD: Consumption Levels in Britain, <i>H.M.S.O.</i>	83
 GERMAN COMPETITION Now Imminent, <i>Peter Galliner</i>	151
GERMANY: Ludwig Erhard, Economic Chief of, <i>Fortune.</i> (See also "Erhard")	34
GERMANY: Must Her Trade Look East? <i>Jean Laforest</i>	276
GOLD, The Growing Influence of, <i>Engineering and Mining Journal, U.S.A.</i>	164
GOLD, Rouble Now Based On, <i>Pravda.</i> (See also "Rouble")	251
 HEALTH SERVICE Costs Go On Increasing, <i>Ffrangcon Roberts</i>	219
HEALTH SERVICE, True Cost of Britain's, <i>The Times</i>	221
HOUSE, Economics of the Council, <i>P.E.P.</i>	181
HOUSE Property is Deteriorating, <i>P.E.P.</i>	36
 IMMIGRATION: Australia's Problems and Prospects, <i>W. D. Borrie.</i> (See also "Australia")	237
INCENTIVE from the Psychologist's Viewpoint, <i>Sir Frederic Bartlett</i>	56
INCENTIVE: Profit Motive Still Counts, <i>Wilfrid Hill.</i> (See also "Profit Motive")	58
INCOME Taxation, What's Happening to, <i>Professor Fritz Neumark.</i> (See also "Taxation")	14
INDIA Has Million-Ton Export Target for Manganese, <i>The Eastern Economist.</i> (See also "Manganese")	74
INDIA, Pakistan, Ceylon, Plan Big Developments, <i>Commonwealth Economic Committee.</i> (See also "Pakistan" and "Ceylon")	73
INDIA Wants Show-down with America, <i>The Eastern Economist.</i> (See also "U.S." and "Point Four")	13

INDUSTRIAL Facts and Fallacies, <i>Lewis C. Ord</i>	187
INTEREST RATES and Savings, Prospects for, <i>Professor F. W. Patsh.</i> (See also "Savings")	222
INVESTMENT, American: Answer to the Dollar Problem? <i>E. Devons.</i> (See also "U.S. Investment" and "Dollar Problem")	97
INVESTMENT, Americans Still Shy of Overseas, <i>Guaranty Survey.</i> (See also "U.S." and "Point Four")	11
INVESTMENT in Under-Developed Countries, <i>U.N.</i> (See also "Under-Developed Countries")	84
IRAQ'S HANG-OVER, <i>Board of Trade Journal</i>	40
 JOINT CONSULTATION at Factory Level, <i>Bibliography</i>	25
 KEYNES , Case Against, <i>Paulo Sylvos Labini</i>	278
 LAND WASTE in New-Town Planning, <i>Professor L. Dudley Stamp.</i> (See also "Planning")	127
LIVING COST Index in Sweden, <i>Ulrich Herz.</i> (See also "Sweden")	273
LIVING COSTS: Housekeeping for Five on 18 Shillings a Week, <i>National Food Reform Association</i>	29
LIVING COSTS May Rise Above Wage-Freeze Limit, <i>R. G. D. Allen.</i> (See also "Wage-Freeze")	23
LIVING COSTS, Measuring, <i>The Times.</i> (See also "Measuring")	60
LIVING STANDARDS: Wage Levels After Two Wars, <i>E. H. Phelps Brown.</i> (See also "Wages")	20
 MANGANESE : India Has Million-Ton Export Target, <i>The Eastern Economist.</i> (See also "India")	74
MARSHALL AID, American Export and, <i>E.C.A.</i> (See also "U.S. Exports")	107
MARSHALL AID, Should Spain Get? <i>De Economica.</i> (See also "Spain")	85
MARSHALL AID to Britain, <i>E.C.A.</i>	277
MARSHALL AID, Truth About, <i>Dr. Carlo Rodano</i>	110
MEASURING the Cost of Living, <i>The Times.</i> (See also "Living Costs")	60
MONEY, Where Shoppers' Goes, <i>National City Bank of New York.</i> (See also "Shoppers")	16
MONEY VALUES, Deterioration of, <i>Gustav Soderlund</i>	118
MONOPOLY: Is the Sherman Act Effective? <i>Wendell Burge</i>	68
 NATIONAL INCOME , Taxes as Percentage of, <i>E.C.A.</i> (See also "Taxes")	170
 OUTPUT , A Policy for Increased, <i>B.I.M.</i> (See also "Production")	162
OUTPUT and the Balance of Trade, <i>Professor Ely Devons.</i> (See also "Productivity" and "Balance of Trade")	266
OUTPUT: Standardise, Simplify, Specialise, <i>Committee for Standardisation.</i> (See also "Production")	27
 P.A.Y.E. , Making It Productive, <i>Sir Herbert Williams</i>	17
PAKISTAN, India, Ceylon, Plan Big Developments, <i>Commonwealth Economic Committee.</i> (See also "India" and "Ceylon")	73
PLANNING, New-Town, Land Waste in, <i>Professor L. Dudley Stamp.</i> (See also "Land Waste")	127

INDEX, 1950

v

PLANNING, Principles of Economic, <i>Professor W. Arthur Lewis</i>	91
POINT FOUR: Americans Still Shy of Overseas Investment, <i>Guaranty Survey</i> . (See also "U.S." and "Investment")	11
POINT FOUR Debunked, <i>Dr. John H. G. Pierson</i>	246
POINT FOUR: India Wants Show-down with America, <i>The Eastern Economist</i> . (See also "India" and "U.S.")	13
POINT FOUR: Progress to Date, <i>E.C.A.</i>	13
POINT FOUR: The "Progress" of, <i>U.S. Department of Commerce</i>	171
POINT FOUR, Putting the Brake On, <i>Henry Hazlitt</i>	169
POPULATION, Falling, Economic Consequences of, <i>Royal Commission</i>	259
POWER from the Wind, <i>T. G. N. Haldane</i> . (See also "Production")	32
PRICE PROBLEMS in Under-Developed Countries, <i>H.M.S.O.</i> (See also "Under-Developed Countries")	169
PRICE SUPPORT Programme, U.S. Farm, Goes Haywire, <i>National City Bank of New York</i> . (See also "U.S." and "Farm Price Support")	209
PRODUCTION, A Policy for Increased, <i>B.I.M.</i> (See also "Output")	162
PRODUCTION Not the Paramount Factor, <i>Fortune</i>	163
PRODUCTION: Power from the Wind, <i>T. G. N. Haldane</i> . (See also "Power")	32
PRODUCTION, Rising World, of Fertilizers, <i>F.A.O.</i> (See also "Fertilizers")	41
PRODUCTION of Sugar, Fall in, <i>F.A.O.</i> (See also "Sugar")	268
PRODUCTION: Standardise, Simplify, Specialise, <i>Committee for Standardisation</i> . (See also "Output")	27
PRODUCTION: Why American Cotton Spinning is More Efficient, <i>Productivity Council</i> . (See also "Cotton Spinning" and "U.S.")	226
PRODUCTION, World Industrial: Four per Cent. Rise, <i>U.N.</i>	267
PRODUCTIVITY and the Balance of Trade, <i>Professor Ely Devons</i> . (See also "Output" and "Balance of Trade")	266
PROFIT MOTIVE Still Counts, <i>Wilfrid Hill</i> . (See also "Incentive")	58
 RATES , Local, More Uniform, <i>County Accountants' Society</i>	185
RESTRICTIVE PRACTICES, Trade, Four Steps to Outlaw	203
ROADS, More Farm-to-Market Needed, <i>R. S. Colquhoun</i> . (See also "Transport")	137
ROMAN EMPIRE, Economic Decline and Fall of <i>Ludwig Von Mises</i>	216
ROUBLE, Dollar and, Prices Compared. (See also "Dollar")	231
ROUBLE, Now Based on Gold, <i>Pravda</i> . (See also "Gold")	251
 SAVINGS , Interest Rates and, Prospects for, <i>Professor F. W. Paish</i> . (See also "Interest Rates")	222
SHOPPERS: Where the Money Goes, <i>National City Bank of New York</i> . (See also "Money")	16
SLUMP in America, World Repercussions of, <i>Albert O. Hirshman</i> . (See also "U.S.")	108
SOCIAL SECURITY in Western Union, <i>Ministry of Labour Gazette</i> . (See also "Western Union")	128
SOCIALIST ECONOMICS, <i>G. D. H. Cole</i>	283
SOUTH ASIA, Dollars and Pounds for, <i>Manchester Guardian</i> . (See also "Dollars" and "Sterling")	227
SPAIN: Should She Receive Marshall Aid? <i>De Economia</i> . (See also "Marshall Aid")	85

STEEL: Europe Heading for Over-Production, <i>E.C.A.</i> (See also "Europe")	120
STERLING, Dollars and, for South Asia, <i>Manchester Guardian</i> . (See also "Dollars" and "South Asia")	227
STERLING Has Become a Drug in the World Market, <i>Roy Harrod</i>	102
STERLING, How It Is Used, <i>H.M. Treasury</i>	199
STERLING, Pound, "Fortune" Backs the City and the, <i>Fortune</i>	155
STERLING Vital to World Trade, <i>Sir Frank Nixon</i>	252
STERLING AREA Dollar Surplus, Towards a, <i>Graeme Dorrance</i> . (See also "Dollar Surplus")	223
STERLING AREA, Key Points of the, <i>Economic Information Unit</i>	196
STERLING AREA Trade Patterns, <i>E.C.A.</i> (See also "Trade Patterns")	250
STERLING BALANCES, Egyptian: More Facts Needed, <i>National Bank of Egypt</i> . (See also "Egypt")	106
STERLING BALANCES, The Impact of, <i>Eugene J. Kaplan</i>	157
STRIKERS, Pensions for, <i>National City Bank of New York</i>	10
SUGAR, Fall in Production of, <i>F.A.O.</i> (See also "Production")	268
SWEDEN, Cost of Living Index in, <i>Ulrich Herz</i> . (See also "Cost of Living")	273
TARIFFS, American, Reducing, <i>New York Times</i> . (See also "U.S.")	211
TAXATION Under the Microscope, <i>American Academy of Political and Social Science</i>	62
TAXATION: Wanted—Royal Commission, <i>S. John Pears</i>	19
TAXATION, What's Happening to Income? <i>Professor Fritz Neumark</i> . (See also "Income")	14
TAXES as Percentage of National Income, <i>E.C.A.</i> (See also "National Income")	170
TAXES, Profits, Mean Capital Cuts, <i>Three Banks Review</i> . (See also "Profits Taxes" and "Capital Cuts")	124
TRADE, Commonwealth, New Directions for, <i>Commonwealth Economic Committee</i> (See also "Commonwealth")	38
TRADE PATTERNS, Sterling Area, <i>E.C.A.</i> (See also "Sterling Area")	250
TRANSPORT: Diesel Engine Cuts Costs, <i>The Statist</i> . (See also "Diesel Engine")	270
TRANSPORT: More Farm-to-Market Roads Needed, <i>R. S. Colquhoun</i> . (See also "Roads")	137
TRANSPORT: Target for British Railways, <i>Professor Gilbert Walker</i> . (See also "British Railways")	86
TRANSPORT, Thinking Internationally About, <i>Sir H. Osborne Mance</i>	135
UNDER-DEVELOPED COUNTRIES, Price Problems in, <i>H.M.S.O.</i> (See also "Price Problems")	169
UNDER-DEVELOPED COUNTRIES, Investment in, <i>U.N.</i> (See also "Investment")	84
UNITED NATIONS, <i>David Owen</i>	87
U.S., Britain and: Politicians Are Dodging These Questions, <i>McGraw Hill Publishing Co., Inc.</i> (See also "Britain")	55
U.S.: Farm Price-Support Programme Goes Haywire, <i>National City Bank of N.Y.</i> (See also "Price Support" and "Farm Price Support")	209
U.S.: How America Blocks Imports, <i>O.E.E.C.</i>	212
U.S., India Wants Show-down With, <i>The Eastern Economist</i> . (See also "India" and "Point Four")	13

INDEX, 1950

vii

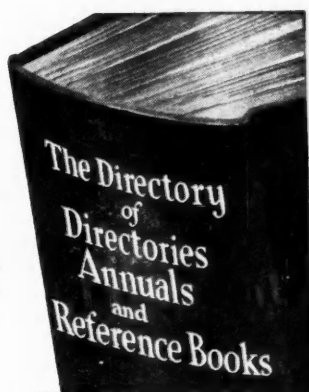
U.S. Is Not Going Socialist, <i>Professor Sumner H. Slichter</i>	69
U.S.: Reducing American Tariffs, <i>New York Times</i> . (See also "Tariffs")	211
U.S. Still Shy of Overseas Investment, <i>Guaranty Survey</i> . (See also "Investment" and "Point Four")	11
U.S.: Supporting Farmers' Costs 1,400 Million Dollars, <i>National City Bank of New York</i> . (See also "Farm Prices")	116
U.S.: Washington Cuts Down Imports	210
U.S.: Why American Cotton Spinning is More Efficient, <i>Productivity Council</i> . (See also "Cotton Spinning" and "Production")	226
U.S., World Repercussions of Slump in, <i>Albert O. Hirshman</i> . (See also "Slump")	108
U.S. DEFENCE in Depth Against Competitive Imports, <i>The Times</i>	112
U.S. EXPORTS and Marshall Aid, <i>E.C.A.</i> (See also "Marshall Aid")	107
U.S. IMPORTS from E.R.P. Countries, <i>E.C.A.</i> (See also "E.R.P. Countries")	25
U.S. INVESTMENT: Answer to the Dollar Problem? <i>E. Devons</i> . (See also "Investment" and "Dollar Problem")	97
U.S.S.R. Frustrates East-West Europe Trade Plans, <i>Michael L. Hoffman</i> . (See also "Europe")	232
U.S.S.R.: Progress of Agriculture, <i>Alexander Baykov</i> . (See also "Agriculture")	229
VATICAN CITY Economics, <i>Howard K. Smith</i>	235
WAGE-FREEZE Limit, Living Costs May Rise Above, <i>R. G. D. Allen</i> . (See also "Living Costs")	23
WAGE SYSTEM, Cotton Weavers' New, <i>Times Review of Industry</i>	125
WAGES in Full Employment, <i>Lloyds Bank Review</i> . (See also "Employment")	262
WAGES: Ground Plan for New Policy, <i>Socialist Commentary</i>	264
WAGES: Levels After Two Wars, <i>E. H. Phelps Brown</i> . (See also "Living Standards")	20
WESTERN UNION, Social Security in, <i>Ministry of Labour Gazette</i> . (See also "Social Security")	128
WOOL: Fall in Seasonal Stocks, <i>F.A.O.</i>	269
WORKERS' STATUS: The Hardening Crust of Cynicism, <i>Socialist Commentary</i>	24



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